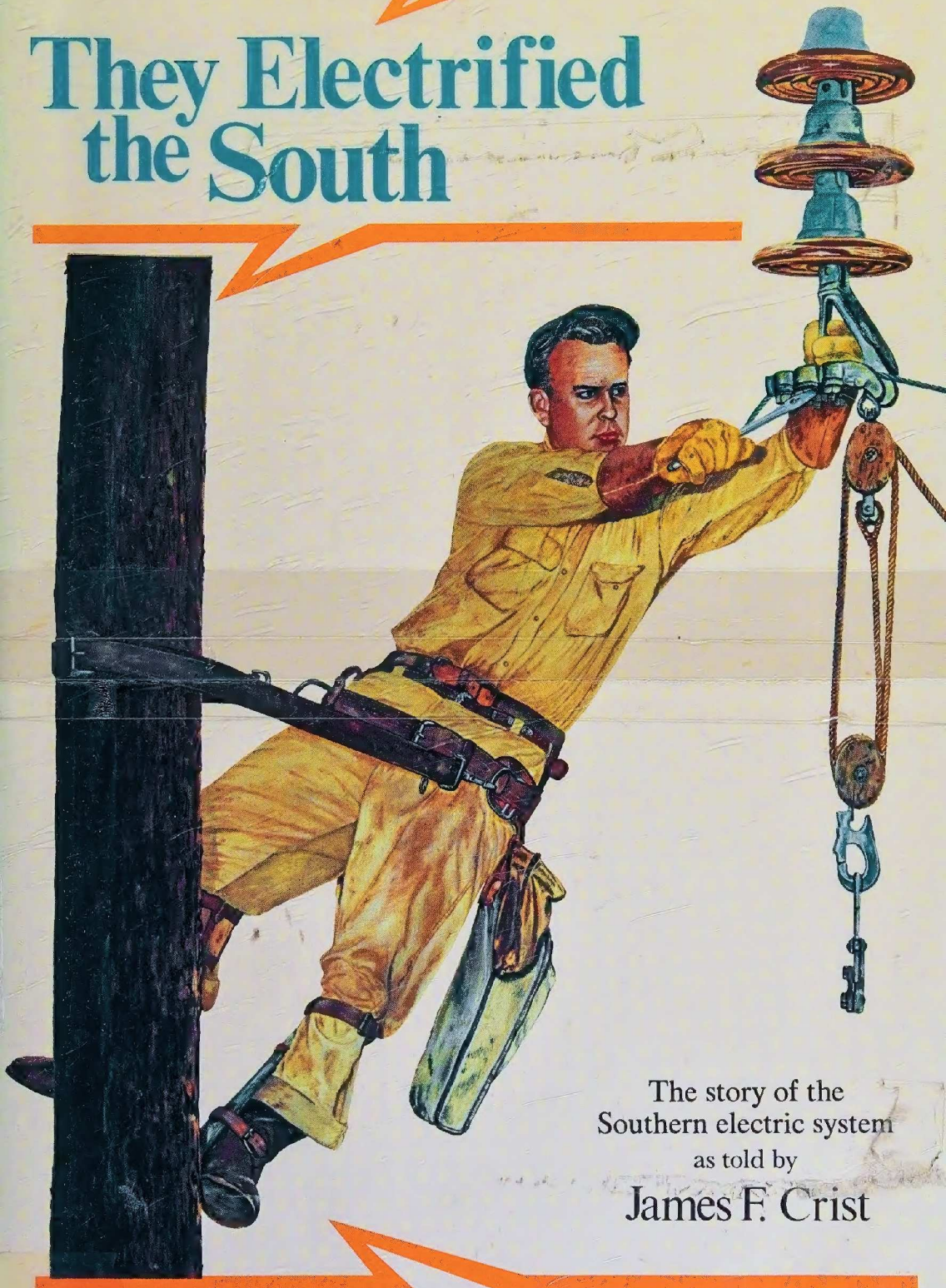
They Electrified the South



The story of the
Southern electric system
as told by
James F. Crist

THEY ELECTRIFIED THE SOUTH

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TO BETTY

My lovely wife, whose charm
and wit have brightened my
days and whose encouragement
made this book possible.

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FOREWORD

omeone has remarked that a company is known by the people it keeps. This is the story of a company and its people as seen through the eyes of one who has spent almost his entire adult life with it and with them.

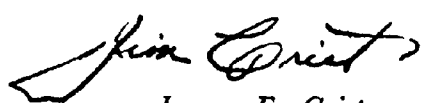
I am a native of Alabama, born in Montgomery at the turn of the century. My first job in the industry was in the summer of 1923 as an apprentice lineman with an Alabama Power Company construction crew, while I was an undergraduate at MIT. After graduation, and brief stints as a traveling shoe salesman on the Pacific Coast and in the real estate business in Sarasota during the Florida boom and bust of the twenties, I joined Alabama Power on a more permanent basis. That was in 1926, and I remained with it and its affiliated companies until my retirement forty years later.

One of those affiliates was the South Carolina Power Company of Charleston, South Carolina, where I spent two decades at various jobs from industrial power engineer to vice president. When The Southern Company was formed in 1947, I was invited to join it as vice president and associate of Eugene A. Yates, its first president. While still in that capacity, I served as president of one of Southern's subsidiaries, Gulf Power Company of Pensacola, Florida, from 1948 through 1955, and as president of Southern Electric Generating Company of Birmingham from 1957 to 1960. I moved to Atlanta in 1960 as execu-

tive vice president of The Southern Company, retiring at the end of 1965. Thus, over the years, I was able to observe the companies' problems and challenges, but, more particularly, how men of exceptional abilities met them. For these men, of all ranks, I developed a lasting affection.

Understandably, this narrative becomes quite personal. The anecdotes which are here told add little to its historical worth. They do tend, I think, to throw some light on the character and the more human traits of the men who put the enterprise together. The Southern Company has become the largest investor-owned electric power organization on earth, and it seems fitting that something of its founders and old-timers be recorded before they are entirely forgotten.

The doings of a large number of present-day officials are not included in this narrative. They are now making their own tracks—to be recorded later by others in a future time. Nor have I attempted to describe the inestimable contribution of the system's directors and their counsel to management and to the health and progress of the enterprise. To do so would require a narrative of far greater length.



James F. Crist

January, 1981

INTRODUCTION

"To business that we love, we rise betimes and go to it with delight."
—William Shakespeare

he electric industry, to its earnest practitioners, is the most interesting, the most fascinating of all gainful enterprises. It touches the lives of all of us. So essential has electric power become, it is hard to imagine our daily activities without it. We produce light and heat and the power that turns the wheels of industry. As Omar Khayyam wrote, "I sometimes wonder what the vintners buy, one half so precious as the stuff they sell."

Tesla gave us alternating for direct current, vastly expanding the field of application of electricity. Thomson developed the electron theory of matter. Steinmetz contributed, among other things, the transformer and the regulator. Yet, surely Thomas Alva Edison stands out as "the indispensable man" of the electric industry.

Edison's other inventions and achievements are legion, but the electric industry owes its birth to his creative genius. It is less than a hundred years since Edison built America's first electric power plant. He showed us how to build such marvels and how to get the product to the market. On the occasion of his being presented the Congressional Medal of Honor in 1928, Arthur Palmer said:

> He has led no armies into battle—he has conquered no countries—yet he wields a power the magnitude of which no warrior ever dreamed. This democratic, kindly, modest man has bestowed upon the human race blessings instead of bondage, service instead of serfdom, construction instead of conquest. He is humanity's friend.

While this narrative will deal with some of the broad

aspects of the industry, particularly those which brought about the shape of and ground rules for the present-day holding company, it will be directed more to the companies and their predecessors with which I spent some forty years.

Over the past hundred years, this country has witnessed remarkable achievements by individuals within its unique democratic society. These persons have labored in the fields of science and medicine, of space and politics, and of general and specialized industry, commonly referred to as "free enterprise."

Many of the achievers were men of honor and conscience, some perhaps less so. A few were outright knaves and rascals. The achievers included the brilliant and the lucky, the great and the greedy, the dedicated and the deadbeat. But good, bad, or indifferent, each, to reach his goal, required one essential ingredient—Money. Without it, the enterprise, no matter how soundly conceived, could not get off the ground. The electric utility industry was no exception.

A river steamboat captain, traversing Alabama waterways soon after the turn of the century, came upon sites which seemed eminently suited for power development. He was the EXPLORER. He secured the rights for building dams and power houses, but there he was stymied. His efforts to obtain financial backing came to naught.

Happily, there appeared upon the scene a young Canadian engineer who had learned to build hydroelectric projects in the mountains of Brazil. He had come to Alabama to look for potential hydro sites, and he had learned that certain London investment bankers were interested in investment opportunities in the developing electric industry in America. He put the two together. He was the ORGANIZER.

A young, ambitious lawyer, small in stature but with great vision, saw tremendous economic possibilities for his

beloved South if industry could be brought into the traditionally agricultural region. Roads were poor and rivers were the principal highways. Cheap, abundant electricity would be the magnet. He was the PLANNER.

In Georgia, a Moravian preacher and his sons were perfecting a waterwheel turbine which would become the backbone of that state's hydroelectric power supply. And a New England Yankee had arrived in Atlanta with a head full of ideas for putting together the city's struggling electric and street railway systems, then locked in bitter competition with each other. He was the PROMOTER. Working closely with him was an urbane lawyer whose charm and personal magnetism enabled him to guide his company through financial and political crises over two decades. He was the IMAGE-MAKER.

Some years before, in 1880, there had come from England a 21-year-old bookkeeper-typist to work for Thomas Edison. He worked long and hard, and twelve years later found him heading up a great Midwestern utility. He began acquiring stocks in other companies; he became a master of corporate pyramiding; his innovative methods changed the whole pattern of American corporate finance. Each move he made brought new gains. Then came the stock market collapse of 1929—and ruin for his companies and those who had invested in them. Broke and disheartened, he died of a heart attack in 1938. The impact of his operations on the industry and on utility legislation was great. He had tried one too many passes with the dice. He was the GAMBLER.

Another gambler, but with motives perhaps less worthy, started out as a poorly paid accountant for a regulatory agency. Thirty years later he was in control of a billion-dollar pyramid of utility companies. While working for the rate-making body, he had amassed and stored away a thorough knowledge of accounting short cuts and legerdemain and, with few inhibitions and a flair for throw-

ing examiners and investigators into total confusion, he achieved a top spot in the utility holding company world. Inevitably, the chickens came home to roost. He served a jail sentence and died in a sanitarium without friends or money. He was the HUSTLER.

In the aftermath of these doings, there came a new, quite sterilized organization headed first by a dour Midwesterner and then by a tousle-headed Hoosier. Promptly came attacks on two fronts. Anti-holding company forces sought to dismember the group, and a newly created federal authority sought to take it over, piece by piece. Both succeeded—the former completely, and the latter partially—but both knew that they had been in a bloody battle. Public sympathy and support of the Hoosier's stand against subsidized encroachment of the properties he headed were largely responsible for his winning the Republican nomination for President of the United States in 1940. He was the GLADIATOR.

Out of the dissolution of its predecessor came a new holding company with properties in the heart of the South—Alabama, Georgia, Florida, and Mississippi. Chosen to lead it was a man who had engineered the interconnection and integrated operation of the utility companies throughout the Southeast. Intimately familiar with every aspect of the new system's operations, he guided it successfully until his death. He was the BUILDER AND THE MANAGER.

Other notable characters fill out this narrative. They are the lawyers, the financiers, the statesmen, the engineers, the inventors, and the utility industry leaders who have helped shape the present organization which is called today the Southern electric system.

EARLY DAYS IN ALABAMA

EARLY DAYS IN ALABAMA

Since the dawn of civilization, human progress has evolved around the rivers of the world. Our story has its beginnings in the rivers of Alabama and Georgia.

In north Alabama, the broad and beautiful Tennessee flows from east to west across the entire width of the state. Just west of the Mississippi state line, and close to the Tennessee, are the headwaters of the Tombigbee. This river flows south into Alabama and continues almost parallel to the state's western boundary to a point near Demopolis where it is joined by the Sipsey and the Black Warrior. The other arms of this huge Mobile River system, the Coosa and the Tallapoosa, both originate in Georgia. These two come together just north of Montgomery to form the Alabama River. The Alabama, in turn, flows into the Tombigbee just north of Mobile, forming the Mobile River. To the east lies the Appalachicola River system, with one of its principal arms, the Chattachoochee, forming almost half of the Alabama-Georgia state line. How extensively the state is covered by its major rivers! And how well they served the early settlers!

When Alabama became a state in 1819, its 51,000-square-mile area was carpeted by thick forests, with here and there a cleared farming area and virtually no roads of any kind. Its highways were its rivers, and every trading center was located on the high ground near a river. The most important towns were Mobile, St. Stephens, Cahaba,

Tuscaloosa, Montgomery, Huntsville, and Florence. Strange as it may seem, five of these were destined to become capitals of the state. St. Stephens, on the Tombigbee about 80 miles north of Mobile, was the first. Huntsville, near the Tennessee, served as a sort of interim capital for one year while the new buildings were being completed at Cahaba. Cahaba, once spelled "Cahawba," is on the high west bank of the Alabama just at the junction of the Cahaba River, a few miles below Selma. It was the state capital from 1820 through 1825.

I had an old uncle in Montgomery who had a dear friend in Cahaba many years ago. He got to see him only once in four or five years. One day he drove his buggy up to the plantation house and found it closed and boarded up. He saw an old Negro hoeing cotton in a field, and he asked about his friend. "Lord, sah," said the old man, "Colonel Bob's been dead 'most a year." "How did it happen?" asked my uncle, sadly. "Well, sah, a Yankee gentlemen came here to visit us two or three years ago. He showed Colonel Bob how to put weeds in his whiskey, and he liked that drink so well he just drank hisself to death."

In 1826, the capital was moved to Tuscaloosa, a victory for the proponents of the Tombigbee-Warrior River system over the Coosa-Alabamians. Alabama, strangely enough, was settled from west to east. Indeed, the nine eastern counties were the last Indian counties in the state.

Of the towns which I have mentioned, not one had a population of more than 2,000. The total number of men, women, and children in the state came to less than 130,000. These magnificent river systems furnished the principal means of transportation. Commerce was moved by flatboat and canoe, propelled by muscle and sweat.

There is a steeply sloping area, joining the coastal plain with the Appalachian plateau and the Piedmont uplands, known as the Fall Line. Stretches of river crossing this area

are characterized by steep, rocky channels which, within a few miles, often fall well over a hundred feet. The river channels were well-traveled highways for the early steamers, which drew only two to three feet of water. They generally operated up to the Fall Line on the larger rivers and above the line on both the Coosa and the Tennessee rivers. In all, there were about 1,500 miles of navigable waterways in the state.

Since the Fall Line itself was impassable to the steamers, it divided Alabama into two sections. The coastal plain area below, reaping the full benefit of its extensive navigable waterway system, enjoyed a faster development than the area above, but there was some flatboat traffic across the Fall Line. It was strictly one-way traffic. The flatboats were built during the lower water season and then loaded and floated out on a freshet or rise in the river. After they traversed the Fall Line and reached their destinations on the lower river, the cargoes were disposed of and the flatboats themselves knocked down and sold for timber. The crews returned up-river overland to make ready for their next trip down.

The head of navigation for the Mobile steamers was the Fall Line rapids at Wetumpka, whose name means "Tumbling Waters." At times of unusually high water, the steamers were able to go on beyond Wetumpka and up the Coosa all the way to Rome, Georgia.

North Alabama's cotton crop went to New Orleans by way of the Tennessee, the Ohio, and the Mississippi. This resulted in a rather sharp division in the business and political life of the state.

Another Alabama river on which there was some early steamboat navigation was the Choctawhatchee. Sometimes the boats went up as far as Newton, about 15 miles northwest of Dothan. Newton was not only a cotton town; some of its early residents also made an excellent, if illegal, product from corn and barley malt. One family

seemed to be in constant trouble with the law. One day, after the customary preliminary hearing, the judge said, "Jeff, before I pass sentence I want to say that you and your boys have given this court more trouble than everybody else in Dale County. Do you have anything to say?" Jeff said, "Judge, we haven't given you any more trouble than you've given us."

In his *Banking in Alabama,* William H. Brantley notes:

> In the mid-1840's there were seven river steamers operating regularly out of Mobile up river as far as Wetumpka on the Alabama and to Columbus, Mississippi, on the Tombigbee. Another steamer made three trips a week to New Orleans. The rates for both freight and passengers were so low that 'sailing' on a steamboat cost little more than staying at home. Cotton shipments were largely over by May 1, but the warehouses in Mobile were by no means empty. In the summer of 1843, some big planters were still holding all or a part of the last year's crop. Cotton was King in Alabama, but in the hot summer when the rivers got low, the King was not active in the market. He was growing in the fields, readying for cool fall weather and the rise of the rivers.

And he cites the limitations of travel and communication:

> The 1843 Assembly got off to a slow start because six or seven legislators had been 'shipwrecked' at Easley's Landing below Demopolis, when the 'General Harrison' had engine trouble, and those in attendance in the State House, out of courtesy, stayed for a time the election of several officers, hoping for the early arrival of the absent members. The stranded legislators were less than a hundred miles distant from the capital, yet there was no information from, or about, them for more than three days. When they finally arrived in Tuscaloosa, they brought the good news that cotton was pouring into Mobile (and very favorably priced).

Below the Fall Line, the eastern edge of the state was served by the Chattahoochee River, all of which, incidentally, belongs to the State of Georgia. Traffic on that

river, consisting principally of huge cargoes of cotton from east Alabama and west Georgia, was handled through the port of Appalachicola, which, by 1860, was the chief export city of Florida. The falls at Columbus furnished power for the mills.

Mobile, the only port city of Alabama, profited greatly by the early river traffic. By 1860, annual cotton exports through Mobile amounted to nearly a million bales. Cotton planters in the area became almost incredibly wealthy. It is said that the smallest coin in circulation in Mobile for several years was a quarter.

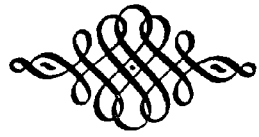
For a period of fifty years after Alabama entered the Union, the rivers held almost undisputed sway over the movement of commodities. It was about 1870 before railroad mileage in the state equalled the more than 1,500 miles of navigable rivers. After the turn of the century, there were about 6,000 miles of mainline track in Alabama.

When I was a boy in high school in Montgomery, I used to sit in my afternoon algebra class and look out the window across the roofs of the downtown buildings to the Alabama River, where it made a wide, sweeping bend near the foot of Commerce Street. On the far bank, the grass and willow trees looked cool and green. I do not think I ever saw a more pleasing prospect, though not one conducive to excellence in algebra. My thoughts ran more to bream and catfish than to quadratics and binomials.

As previously noted, the Alabama River is formed by the confluence of the Coosa and the Tallapoosa just a few miles north of Montgomery. And it is on the Coosa and the Tallapoosa with their great potential for hydroelectric development that this story really begins.

POWER IN ALABAMA

JAMES MITCHELL



The present Alabama Power Company came of a fortuitous meeting of a young Canadian engineer named James Mitchell and a bright-eyed, ambitious young Montgomery lawyer named Thomas Wesley Martin. That was in November, 1911.

James Mitchell was born in Montreal in 1866. His family moved to Massachusetts when he was fifteen; he graduated from the Milton High School the next year, already with a consuming interest in the developing science of generating electricity. He went to work for the Thompson-Houston Company at Lynn, Massachusetts. This company was the predecessor of General Electric. Mitchell soon became foreman, then the head, of its railway motor department. When he was twenty-four years old, the company sent him to Brazil to install an electric railway line through a rough, mountainous region near Rio de Janeiro. Here he did an outstanding job. Leaving the company a few years later, he went out on his own. He spent the next fifteen years installing power and railway systems in Brazil.

Mitchell could sell and install almost any kind of electrical system, and he began to visualize a power project of his own. He realized that he needed to know a lot more about finance and about how to get a project off the ground. At that time, the London investment banking

houses were supplying much of the capital requirements for the few hydroelectric developments around the world. Mitchell went to London in 1907. Personable and articulate, he met Sir Edward Mackay Edgar of Sperling & Company, a respected old London investment banking firm. They soon became friends and, before long, Mitchell had become familiar with many of the intricacies of corporate finance and the securities business. Of further advantage was the fact that Sperling had been looking with interest at opportunities in the fast-developing electric industry in the United States.

James Mitchell returned to America in 1911. He knew how to build both steam and hydroelectric plants, and he had gained a pretty good knowledge of how they could be financed. Among the first potential hydro sites he visited was Clark Hill on the Savannah River, later to become the center of bitter controversy between Georgia Power and the federal government. Mitchell turned thumbs down on Clark Hill as being too costly for the projected benefits. Then, at the suggestion of his friend, George Westinghouse, he came to Alabama. He found a number of promising sites along the Tallapoosa River. One of these, Cherokee Bluffs, appeared particularly attractive.

In Montgomery, the law firm of Tyson, Wilson & Martin had been doing title work for various groups interested in hydroelectric development at the points along the Tallapoosa. Mitchell had been advised to call on Massey Wilson of the law firm. Wilson was not in when he called, and he spoke instead with Wilson's thirty-year-old partner, Tom Martin. Actually, Martin had himself done most of the title examinations, and he had the details of these and of the pertinent Alabama laws at his fingertips. Mitchell was impressed. He must have said to himself, "Here's my man!" By horse and buggy, the two headed for Cherokee Bluffs. But there were many pitfalls ahead. The Cherokee Bluffs development would greatly

increase the power available at a waterwheel plant ten miles downstream. Negotiations with the owners for developing this additional power failed, so condemnation proceedings were begun. The waterwheel plant owner brought suit, contending that the proposed use was not a public one and that the property was thus not subject to condemnation. It became apparent that the litigation would be long drawn out. Four years later, the Supreme Court of the United States ruled that the company could properly use excess water at dams downstream for generating electric power to be sold to the public and that it had the power of eminent domain. But the decision came too late to permit early construction. So Cherokee Bluffs lost its place as Number One in the Mitchell-Martin program.

Six years earlier, in 1906, a former steamboat skipper from Gadsden, Alabama, Captain William P. Lay, had organized a company called Alabama Power. He had obtained congressional approval for the "erection of a dam across Coosa River, Alabama, at the place selected for Lock Numbered Twelve on said river." Lay had the rights but no money. He said later, "I journeyed North, East, South, and West, presenting my plans to anyone who would listen—but with no success." Finally, he met James Mitchell and Tom Martin. Things then began to happen.

The development of the Lock Twelve site brought into the Mitchell-Martin activities an engineer who, also, was to have a profound influence on the electrification of the Southeast. His name was Eugene Adams Yates. Mitchell was the Organizer, Martin the Planner, and Yates the Builder. Lock Twelve became Lay Dam; it began operation early in 1914. It was the first dam site developed for power by the new company.

Along the Coosa and the Tallapoosa Rivers, there were other potential sites which had been acquired by no less

than fifteen separate groups. Mitchell visualized putting all these together under a holding company. He formed the Alabama Traction, Light and Power Company, Ltd. In order that its securities might be more attractive to English investors, he organized it as a Canadian corporation. Under it, the shares of the various groups were to be acquired and used as security for an issue of collateral trust bonds, with Montreal Trust Company holding the mortgage and deed of trust. Thus was launched the initial financing of the present Alabama Power, and thus Sperling & Company became an active participant in harnessing the rivers of Alabama.

Two years earlier, the company had become engaged in what, at that time, was a major expansion. It acquired a 2,000-kilowatt hydroelectric plant, Jackson Shoals, on the Choccoloco Creek near its confluence with the Coosa River. The owners were two brothers, who, themselves, would become highly visible in the developing electric industry. They were Sidney and Reuben Mitchell, no relation to James. Their grandfather, Reuben Jordan, had settled in the valley of the Coosa in 1815 and had lived there all his life. Their mother, a brilliant and charming woman, Elmira Jordan Mitchell, had a profound influence on her sons' lives and their careers. Sidney became head of the Electric Bond and Share Company in New York. Reuben remained in Alabama as an executive of Alabama Power and of various textile and other corporations. At the time of the new company's acquisition of Jackson Shoals, it also bought from the brothers their 10,000-kilowatt steam electric plant in Gadsden and a transmission line from there to Jackson Shoals. So, by 1913, it was supplying electricity to Talladega and Gadsden.

At that time, as noted, Alabama Power was owned by Alabama Traction, Light and Power. In June, 1914, came the assassination of Austrian Archduke Francis Ferdinand and his wife at Sarajevo, the event which sparked the

First World War. Two months later, England joined her allies. Funds from English investors into Alabama Traction now dwindled to a trickle, and Alabama Power found itself in dire trouble. It owed large sums for the material and equipment used to complete Lock Twelve and the new transmission lines. James Mitchell now put up every dollar he had. In spite of generous concessions by some of his larger creditors, the company was on the brink of insolvency, barely able to meet the interest on its bonds. A meeting of the English bondholders of Alabama Traction was held in London in October, 1914. Mitchell presented the situation with characteristic frankness. The bondholders were asked to defer for three years the interest on their bonds and, more importntly, to authorize Alabama Power to issue and sell to the public bonds and preferred stock which would have priority over all outstanding securities. Amazingly, the bondholders agreed—evidence of their faith in the ability and integrity of an individual and in the potential for hydroelectric development in Alabama. The trust deed was so amended, and Alabama Power was in position to execute a new first mortgage on its properties and to sell its securities in the United States.

James Mitchell died on Long Island, N.Y., in July, 1920. He was succeeded as president by Tom Martin. Five years before Mitchell's death there had appeared in *The Birmingham News* an editorial by Frank P. Glass:

> There are many wonders of nature in Alabama, and there are also many wonders of science. Now and then science has united with nature and the result is well nigh marvelous.
>
> But the most notable recent achievement in Alabama, and one of the very greatest of its sort in the United States, is the dam and power house of the Alabama Power Company at Lock 12 on the Coosa River.
>
> The master spirit who has worked out this marvelous combination of science and nature is Mr. James Mitchell who has had great experience in similar plants in Brazil

and other countries. He is a learned man, a most attractive personality in character, a fluent talker, a man of vision. He has been instrumental in bringing several millions of English money to pioneer this great industry in Alabama. On account of the European war he has been laboring under extraordinary financial difficulties. He is a man who inspires confidence by his honesty of method and direct straightforwardness. He has shown his faith in Alabama by the sacrifice of his large Brazilian interests and a concentration here of the bulk of a great fortune made in other parts of the world.

He has done, and is doing, more for Alabama's recognition by all the world as the seat of extraordinary hydro-electric power than all other men living. His faith, his work, his vision, will add millions upon millions to property values in this state, through the development of new industries and the enlargement of existing ones. It will be a source of interest to all Alabama to know that he is about to become a permanent citizen of Birmingham and to spend the remainder of his life in the development and operation of Alabama's water powers. If so, he will be one of the state's greatest assets—a brain, a will, a character afire with enthusiasm and equipped with capacity to do things and to inspire others to do things.

TOM MARTIN

" 'Tis education forms the common mind: Just as the twig is bent, the tree's inclined."

—Alexander Pope

om Martin was a tiny man, possessed of an enormous ambition to do big things and a rare ability to get others to pitch in with him. He was born in Scottsboro, Alabama. As a teenager, he attended Starke's University School in Montgomery, owned and operated by Dr. John Metcalf Starke, a remarkable gentleman. Some years later, I was enrolled there. Regularly Professor Starke would bring to our attention the sterling qualities and attainments of graduate Tom Martin, who had by then become Assistant Attorney-General of the State. He was by all odds the school's Number-One Alumnus. He was the owner of a bronze medal which proclaimed him, "First in Studies, Deportment, and Punctuality."

Professor Starke believed in (a) a just and merciful God; (b) "mental arithmetic," as training for the mind; and (c) Latin, as the essential adjunct of an educated man. The motto of the school was "Omnia Vincit Labor," loosely translated as "Work Wins." He was a stern disciplinarian. He conducted classes from a raised platform and was rarely without a mulberry stick about eighteen inches long and half an inch in diameter. For inattention or sloppy work, you got fifteen to thirty sharp licks on the palm of your hand, depending upon the degree of the infraction. With the thirty-lick job, you were permitted to change hands once. Some members of the class, myself included, went the whole semester with swollen

hands. Not infrequently, an irate father would call and upbraid "fesser" for his "brutality." The professor would listen patiently; but if the complainant became offensive or too personal, he would offer to meet him at any place of his choice, there to pursue the matter to a conclusion. Professor Starke never weighed more than 125 pounds. I doubt that he ever won a fight, but he never refused one. More than once I have seen him arrive at school with face bruised and swollen. He would begin classes without comment. It was his unfailing custom to open school in the morning with a verse or two from the Bible: "A good name is rather to be chosen than great riches and loving favor rather than silver or gold," or "Seest thou a man who is diligent in his business, he shall stand before kings. He shall not stand before mean men." One morning he opened up the Good Book to Proverbs 22, and there written in black crayon across both pages appeared the solemn pronouncement: "Professor Starke is a son-of-a-bitch." He closed the book and said quietly, "We will all stay here until the one who did this admits it." We must have sat there for four hours. Finally, the culprit, sensing the displeasure of his classmates, held up his hand. Professor did not use the stick. He said simply, "You are expelled."

Sometimes I think there will never again be teachers with Professor Starke's kind of character and courage and dedication. But, every now and again, I am surprised by a story which seems to indicate that the old values have not been entirely lost. Even more, that these "old values" can bring success when they are applied with vigor and discipline.

I was encouraged recently to read what Dr. Max Rafferty had to say about a black principal of a Baltimore high school.

> A fanfare for East Baltimore's Leon Coleman. He's small; he's black; he believes in making kids learn. He's also principal of Lombard Junior High School, from

> which he recently sent forty-two adolescents home because they had arrived without notebooks, without pens, and without any visible inclination to do any school work. Earlier in the month, he sent home another batch for showing up five minutes late.
> "I believe in forcing students to learn," the principal states, determinedly. "I know it doesn't sound professional to say it, but I want to force them to read, write, compute, and communicate. Youngsters are begging adults to make them do right. They're begging for direction."
> Hard to believe? He goes on about his 1,384 charges: "Wherever they work as adults, they'll have to be on time for work. I'm not impressed with talk. I want results."

Tom Martin was a supreme egoist; he was ambition incarnate; but he had courage and unshakable integrity. I am sure he was born with these qualities, but they were undoubtedly reaffirmed in his association with John M. Starke for whom he retained a lifelong affection.

Tom Martin, like his early mentor, was a strict disciplinarian. I used to wonder whether the word "martinet" evolved with him in mind. His employees, with very few exceptions, stood in awe of him. Yet, away from the office, a kindlier, more thoughtful man could not be found.

It used to be customary for the dispatchers, power plant operators, and local managers to gossip together on the company telephone lines. Sometimes one or the other would pretend to be Martin and would issue outrageous instructions to another, occasionally with awkward results. One day Martin was driving through Columbiana on his way to Sylacauga. Uncertain which road to take, he called the local office from a filling station. "This is T. W. Martin," he said, "how do I go to Sylacauga?" The ill-starred local manager said, "Mr. Martin, you go two miles on U.S. 25 then turn left on a country road. This will lead you into the river, but don't let that stop you." I'm sure he wondered why he found himself climbing poles again.

In the year 1914, Alabama Power, already in a very precarious financial situation, was suddenly faced with multi-million-dollar lawsuits. The Lock Twelve reservoir was being filled, and residents of the area joined in actions claiming that malaria-carrying mosquitoes were breeding in the waters impounded by the dam. Loss of the suits could well have drawn the final curtain on the company.

Dr. William Crawford Gorgas, a native of Mobile, Alabama, was surgeon-general of the Army. He had been eminently successful in ferreting out the cause of, and eradicating, yellow fever in Havana and in Panama. It is said that, but for his mosquito control program, the canal could never have been completed.

Martin went to Washington to see him. Gorgas came to Alabama. He and his associates inspected the margins of the lake and the areas in which the complainants lived. To the jury he described the various types of mosquitoes, their habits and breeding places, and the length of their lives. He explained that the anopheles mosquito, the malaria carrier, was unable to fly more than a short distance and, consequently, never traveled far from its breeding places. The breeding places, he said, were not the reservoir areas, but the pools and rain-barrels, cans, and bottles close to the homes of the plaintiffs. The jury rendered its verdict in favor of the company.

Many years later, in 1947, Tom Martin was to spearhead a movement to bring national recognition to Dr. Gorgas. He presented a resolution to the Alabama Committee of the Newcomen Society seeking the inclusion of the doctor's name in the Hall of Fame of New York University. To this end, he worked tirelessly, and on May 24, 1951, the ceremony honoring Dr. Gorgas was held in the library of the university.

One of Alabama Power's major electric generating plants, formerly the Warrior Reserve Plant, is named in honor of Dr. Gorgas.

In 1941, by a joint resolution of the Alabama Senate and the House of Representatives, August 13 of each year was declared "Thomas W. Martin Day" in Alabama.

If Martin had another love besides his family, his company, and his native South, it was Southern Research Institute. Convinced that scientific research was essential in supporting the industrialization of the South, he gathered together a group of business leaders and scientists who formed the institute in 1944. He was its founder, chairman, fund-raiser, and guiding genius. Under his leadership and, later, that of Dr. William M. Murray, Jr., and Dr. Howard Skipper, Jr., it has become one of the nation's leading industrial laboratories. Affiliated with the Sloan-Kettering Institute, its work in cancer research is known throughout the world.

"Southern Research Institute," said Dr. Murray, "was Mr. Martin's foremost interest during the last twenty years of his life."

At one time during the fifties, each one of The Southern Company's operating subsidiaries was headed by a president trained in Alabama Power under Tom Martin. He built up Alabama Power by buying up small electric systems, bringing in new industries, helping existing ones to expand, and extending lines into rural areas. And many believe that he did more for the State of Alabama than any other individual before or since.

I think I saw Mr. Martin ill at ease only one time. He had come into my office one day and was looking at a picture on the wall. He was a devout, almost militant, Southerner. He turned to me with a shocked expression. "Jim, is that Castro?" he gasped. It was a portrait of Stonewall Jackson, heavily bearded.

The South has produced many industrial statesmen, but I think Tom Martin will always rank among the foremost. He died in December, 1964, at the age of 83 years, still convinced that "our great days are ahead."

POWER IN GEORGIA

S. MORGAN SMITH

While the early hydroelectric developers were busy in Alabama, signs were beginning to appear of a keen interest in power possibilities in the rivers of Georgia. Outstanding as a pioneer in this activity was a man named S. Morgan Smith. He was a rare combination of devoutly religious man and mechanical genius. I never saw him, but his photographs seem to me to bear a striking resemblance to Michelangelo's Prophet Jeremiah. Smith was the son of a well-to-do North Carolina farmer. He studied for the ministry at the Moravian Theological Seminary at Bethlehem, Pennsylvania (the only Moravian seminary in the country). Upon the outbreak of the War Between the States, he joined the 200th Regiment of Pennsylvania Volunteers as chaplain, this notwithstanding the fact that both of his brothers had joined the Confederate Army. After the war, he became pastor of the Moravian church in Canal Dover, Ohio.

A throat ailment forced him to give up the ministry after five years, and he became associated with the York (Pennsylvania) Manufacturing Company, turning out farm machinery and washing machines. This enterprise failed, costing Smith the small fortune which he had managed to put together. He now turned his talents to invention. Soon he came up with a water turbine with features which earned it enthusiastic acceptance in Pennsylvania grist mills.

This turbine was far superior to the old-style water wheel. It could be used for limited power purposes without gearing. Its higher speeds made it much more efficient, and it could be used under any water pressure, depending only on the topography of the site. Smith's original hydraulic turbine was built in a little "job shop" in York. His first order came in August, 1877, from a neighboring miller, Amos Jacobs. It was for an 18-inch turbine which Smith called the "Success." Soon these were in great demand by the grist mill owners on the canals fed by the Merrimac and the Connecticut rivers.

In these turbines, water flowed through vertical units in open flume settings. The original step-bearings were of oak—later, of lignum vitae. The shafts were wrought iron, the rest cast iron. The early turbine runner designs were largely developed by "cut and try." Eventually they were tested in the Holyoke test flume and laboratory, a testing facility belonging to the owners of the canals and locks. Originally designed for grist mill power, those turbines soon were being used in textile mills, all of which were established at good water power sites.

In 1890, the union of the water turbine with the electric generator was accomplished through their direct connection on a single shaft. Smith's first hydroelectric station was built at Appleton, Wisconsin, in that year. In 1895, high voltage transmission of electricity was accomplished over the unbelievable distance of 22 miles, in northern California. The successful tests of the S. Morgan Smith designs and their reliable field performance led to the sale of many turbines to many mills and generating stations.

Smith began to look around for a good water power site within a reasonable distance of a growing city. A man named George C. Smith (no relation), who had been associated with the Westinghouse Manufacturing Company, called his attention to a site on the Chattahoochee River in Georgia, about 17 miles north of Atlanta, known as

Bull Sluice. They visited the site together and determined to build a power plant there. S. Morgan Smith died in 1903, before the plant was completed; but it, together with a 22,000-volt transmission line, formed the nucleus of his Atlanta Water & Electric Power Company, the first source of Atlanta's hydroelectric power. Today, as Morgan Falls, the plant continues to supply some 17,000 kilowatts of power to the Georgia Power system—not much now on a system of 23 million kilowatts, but of real importance then.

Virtually all of Georgia Power's hydroelectric developments were built around S. Morgan Smith turbines, and they are about as good today as when they were installed. In those days, money was extremely hard to come by, and payment often was made in the purchaser's securities. As it turned out, this was a most fortuitous circumstance for the Smith balance sheet. After his death, his sons, Elmer and Fahs, took over.

The desirability of reducing generating costs encouraged advanced technology and the propeller turbine was soon recognized as a step in the right direction. The young Smiths followed up on a new design in Europe by Dr. Viktor Kaplan and obtained an exclusive license for this design in 1928. Within two years, they had received orders for 16 adjustable blade turbines and 27 fixed blade turbines. They were well on their way to becoming major factors in hydroelectric generation in America.

Another important pioneer in developing electric power in Georgia was a former field officer in the Union Army, General A. J. Warner. He had seen the great hydro power potential of the north Georgia rivers. He and his associates acquired the most promising sites in the area, and they formed the North Georgia Electric Company. They built a small power plant on the Chestatee River, an electric railroad, and a 66,000-volt transmission line from Gainesville to Atlanta. They also constructed a large substation

and an office building in Atlanta. Sadly, the company fell upon hard times and, in 1907, defaulted on interest payments on its bonds.

Elmer Smith was approached by an associate of General Warner, W. A. Carlisle, to assist in this knotty situation. He came to Georgia, and with Eugene L. Ashley, organized the Atlanta Power Company which built a transmission line around Atlanta and contracted for the electrical output of the North Georgia Electric Company. But, even with this contract, the North Georgia company's situation grew steadily worse. It, together with the properties of neighboring Etowah Power Company, was sold at foreclosure to Fahs Smith, Elmer's brother, acting as a trustee. This was in the summer of 1910. Meanwhile, Elmer had made a trip to Tallulah Falls, where he became greatly impressed with the possibilities in hydroelectric generation there and purchased several strategically located tracts of land in the area. He was now committed to some $800,000 incurred in this project and in his efforts to work out something with the properties of the North Georgia Electric. His faith in the enterprise was boundless. Of his visit to Tallulah Falls, he later said, "To this trip can be credited the organization of the Georgia Railway and Power Company, one of the greatest enterprises in the South."

One should bear in mind that a market for the power that might be produced at Tallulah Falls was nonexistent; but, at the same time, the demand for power in and around Atlanta had increased to such an extent that additional power sources were urgently needed. All signs pointed to the necessity for putting power and market together.

Elmer Smith, who never finished high school, was a production genius. He was also a skilled outdoorsman. One of his first jobs as a boy was with a survey crew on

the Oregon Short Line Railway. His assignment was to get meat for the crew. With rifle, knife, and shotgun he brought in a sufficiency of antelope, deer, and small game, amply warranting his place on the payroll. In later years, he delighted in pursuing his avocation, hunting quail in south Georgia.

When he was president of S. Morgan Smith Company, and also president of the first Georgia Railway and Power, Elmer Smith had a regular monthly schedule which he rarely varied: two weeks at the plant headquarters in York, Pennsylvania, one week in New York, and one week in Georgia. Upon his death at 72 in 1934, he was succeeded by his brother, Fahs, as president of the S. Morgan Smith Company. Fahs was a major-league salesman. He loved and was loved by everybody. He was a bon vivant, a connoisseur of food and wines and of all good things. The story is told that once the congregation of the small Moravian church which he sometimes attended had their hearts set on a fine new pipe organ. Despite their canvassing of every member, they were considerably short of the needed funds. Smith said he would make up the deficit, but he had one condition: he would be allowed to choose the first number which the organist would play at the first services after installation. This was readily agreed. When the time came, he called the tune: "Roll Out the Barrel!" I am told that the old church and the shocked congregation rocked with the exuberant strains.

When Fahs died in 1945, he was succeeded by his nephew, Beauchamp E. Smith, son of Elmer and grandson of S. Morgan, the founder. When The Southern Company was organized in 1948, Beauchamp Smith and I were named vice presidents. He served with distinction on Southern's board until 1964.

Beauchamp was a great believer in bringing along the younger people, both in his company and in ours. He

made no bones of his convictions at the Southern board meetings, thus incurring the wrathful indignation of some of our elder statesmen.

Beauchamp ran the S. Morgan Smith Company until it was acquired by the Allis-Chalmers Manufacturing Company, of which he then became a vice president.

HARRY M. ATKINSON

Besides the Smiths, another who had a leading part in Georgia Power's creation and development was a young New Englander, Harry Morrell Atkinson. Harry Atkinson was born in the affluent community of Brookline, Massachusetts, in 1862. After pursuing his studies at Harvard University, he spent two years as a cowboy and ranch foreman in Texas and Wyoming. For a while he was one of Teddy Roosevelt's "Rough Riders," not bad training for one who would enter the public utility field.

He came to Atlanta when he was 24 years old. He first became associated with the pioneer cotton firm of Samuel Inman & Company, later organizing the Southern Banking and Trust Company, of which he became president. It was at about this time that Atkinson became intrigued with the idea and the challenge of supplying electricity to the fast-growing city. He had strong backers in Boston, principally the Old Colony Trust Company, and in Philadelphia. One of his contemporaries describes him as having had a "cherubic" apearance. Such visage the dictionary describes as "with a sweet, chubby, innocent face." Whether his competitors would have gone along with this is questionable.

In 1883, the Georgia Electric Light Company of Atlanta had obtained a franchise for lighting the city. The company had not done well, and by 1891 it was heavily in debt to the Thompson-Houston Company, predecessor of General Electric. At a stockholders' meeting in that

year, the acquisition of the company by a new company called simply Georgia Electric Light Company was proposed. Harry Atkinson arrived at the meeting armed with proxies for ninety percent of the outstanding shares, about half of which were owned by Thompson-Houston and half by the United Gas Improvement Company of Philadelphia. The acquisition was, of course, approved.

The new company grew and prospered. His backers—the Cabots, Lodges, Lowells, and Putnams, all of Boston, and Old Colony—had done exceeedingly well with the investments which he had handled for them. They then financed him in another venture—entirely separate from the electric company— a venture far ahead of its time. This was a railroad, to extend east from Atlanta to Brunswick and west to Birmingham. While building this road in 1907, he organized an affiliated enterprise, the Brunswick Steamship Company, which placed in operation a fleet of five large ocean-going freighters plying between Brunswick and New York. He also built the Tampa Northern Railroad, extending from Tampa north to Dunnellon, Florida. He planned that this road would connect with the A. B. & A. (Atlanta, Birmingham & Atlantic) at Thomasville, Georgia. It never made it.

These enterprises were conceived far in advance of the traffic needs of the time. Their costs were greatly in excess of the budgeted estimates, and the panic of 1907 added the finishing touch. In 1909 a large bond interest payment could not be met, and bankruptcy ensued. Atkinson and a young lawyer, Preston S. Arkwright, were appointed receivers. Atkinson's entire fortune was wiped out, and he also lost some $600,000 which he had borrowed from his associates in the East. His Boston backers retreated; he turned to Drexel & Company in Philadelphia to back his future needs.

While Atkinson's railway and steamship dreams were collapsing, his electric power projects were doing well. A

series of acquisitions, mergers, and consolidations, many designed by Jack Spalding of the Atlanta law firm of King & Spalding, resulted in the new Georgia Railway and Power Company which received its charter in 1912. Its first officers were Atkinson, chairman; Preston S. Arkwright, president; and I. S. Mitchell, Jr., treasurer. Its board members included such notables as Forrest Adair, Asa Candler, Robert Maddox, Jack Spalding, and Elmer Smith.

When the Georgia Power Company was approved in 1927, it consolidated many electric railway and power companies throughout the state, including Georgia Railway and Power. Harry Atkinson became chairman of the board and retained that title until his death in 1939.

PRESTON S. ARKWRIGHT

reston Arkwright was destined to become a leader in the electric utility industry both in Georgia and in the nation. Born in Savannah in 1870, he received his law degree at the University of Georgia in 1891. When Georgia Railway and Power was succeeded by Georgia Power in 1927, he became that company's first president.

Atkinson brought Arkwright along; but, before long, Arkwright was proceeding ably under his own steam. He became the personification of Georgia Power. Indeed, to most Georgians, Arkwright and Georgia Power were synonymous, much as was Tom Martin with Alabama Power. He had an unsurpassed rapport with his union and non-union employees. Some of the latter thought him too liberal toward the union people, but he maintained the confidence and loyalty of both. Morale and labor relations under his administration were excellent. In 1937, the owners of the three Atlanta newspapers and their union pressmen selected him to arbitrate a long and bitter dispute over wage rates and working conditions. His award was promptly accepted by both sides. He coined the company's slogan, "A Citizen Wherever We Serve," and he meant it.

Arkwright liked to reminisce about how he became president of Georgia Power's predecessor, once removed, Georgia Railway and Electric. "Mr. Atkinson and I," he said, "were in his office discussing the proposed slate of executives and administrative personnel. It was naturally

assumed that the office of president would be filled by Mr. Atkinson himself. An expressman arrived bearing several boxes of stock certificates and bond forms for the new company, and Mr. Atkinson asked, 'Does the president have to sign all these things?' 'Certainly,' I replied. 'Well, then you be president. I can't sign all that stuff.' So, I became president."

Arkwright knew personally an amazing number of his employees. A contemporary of mine, Joe Kling, a retired advertising manager of Georgia Power, said of him, "One great gift he had was that he was able to make every employee feel that he was a friend. I always had the feeling that I was special to him, and I thought I was privileged until I found out he treated everybody else the same way."

Even in those days, there were many anti-utility people; but, if Arkwright had an enemy, I never knew of him. He served as president and chairman of the company until his death in 1946.

SOUTHEASTERN POWER
& LIGHT COMPANY

SOUTHEASTERN POWER & LIGHT COMPANY

It was in 1924 that Tom Martin and Eugene Yates sponsored the creation of Southeastern Power & Light Company. As general manager of Alabama Power, Yates had dreamed of interconnecting the principal electric utility systems in the Southeast so that they might be operated as one integrated system. It was obvious that only under common ownership and coordinated operation could the economics inherent in the plan be fully realized. There were substantial savings to be made in plant investment and operating costs, as well as improvement in dependability of service, and in ability to finance capital expenditures.

Southeastern's first acquisition was Alabama Power, then owned by the Canadian holding company, Alabama Traction, Light and Power.

In the fall of 1925, Martin began negotiations with Elmer Smith, representing the owners of Georgia Railway and Power, aimed at bringing that company into Southeastern. This was a highly desirable end for both parties. The Georgia company was in dire need of new capital; it also needed new sources of power, particularly in dry seasons when its hydro reservoirs were down. Southeastern needed new markets — new customers. Thus, in 1926, all of the common stock of Georgia Railway and Power came into Southeastern. Shortly thereafter the electric properties at Augusta, Columbus, Macon, and Rome were acquired, and Georgia Power was organized

to take over the Georgia group. It, in turn, became a major arm of Southeastern.

Similarly, in 1926, certain isolated electric properties in northwest Florida and in eastern Mississippi were bought and put together under the newly organized Gulf Power Company and Mississippi Power Company, which, in turn, became subsidiaries of Southeastern. Also, in 1926, several Charleston and other "low country" South Carolina electric, gas, and railway companies were consolidated into South Carolina Power Company, which soon afterwards became another wholly-owned subsidiary of Southeastern.

So Southeastern interconnected its Alabama, Georgia, Florida, Mississippi, and South Carolina properties, assuring much more dependable service to each system and providing to each a source of capital funds for construction. Another major benefit of common ownership was the greater flexibility in the utilization of executive and technical talent and experience. Shortly after Southeastern had acquired Georgia Power, Alabama Power's operating manager, William E. Mitchell, was transferred to Georgia Power as its vice president and general manager. This was early in 1927, and a few months later he was joined by C. B. McManus, then manager of Alabama Power's Northern Division at Huntsville. In September of that year, James M. Oliver, Alabama's operating engineer, joined Mitchell and McManus in Atlanta.

Mitchell became president of Georgia Power and Oliver its executive vice president. McManus served as president of that company from 1947 to 1951. From 1950 to 1957, he was president of The Southern Company. And from 1957 until his retirement in 1960, he was chairman of the board.

Southeastern was a logical and farsighted concept. This is not to say that all of its operations were simon-pure. Acquired electric systems were often entered on the books

at amounts far in excess of cost, with the solemn explanation (although explanation was rarely required) that the new ownership, with its engineering, financing, and promotional skills, brought new values. And, in retrospect, it does not seem quite cricket for a wholly-owned subsidiary (Dixie Construction Company) to have done major construction work for its associates at a markup on labor and materials. But these things were relatively minor and soon were voluntarily corrected.

The logical markets for the power that was being developed by the Alabama and Georgia companies were the larger towns and communities and the few existing industrial plants. The small utility companies serving the cities and towns had their own steam-electric generating plants, and the factories were powered by steam engine units driving mechanical belt-and-shaft systems. Electric motors were not then in general use in the territory. Development of a market required that the demand for mechanical power be converted into a demand for electrical power.

The company set up a Wholesale Power Division made up of the best engineering talent available. These men conducted plant tests to determine the demand for power, the possibilities for further expansion, the capital cost of electrification, and the economies that might be expected to result. At the same time, the company sought to replace the relatively inefficient generating plants supplying municipal requirements with power from its own expanding generating and transmission system.

The first major group of Alabama industries to contract for electric power were the coal and ore mines. Many of those found it advantageous to replace the work done by steam engines and men and mules with electric power. In Georgia the most important group was the textile mills. One of the great advantages to them was increased production from a reliable power source; another was improvement in the quality of their finished goods.

A PERSONAL INTERLUDE

A PERSONAL INTERLUDE

Had I taken the time in my early life to plot out a career, I could not have imagined one more to my liking than what actually happened to me as a result of good fortune, hard work, and pure chance.

After seven years at VMI, Harvard, and MIT, I went to work in the fall of 1924 as the junior Pacific Coast representative for the J. J. Grover's Sons Shoe Company of Lynn, Massachusetts. The job paid $5,000, to me a munificent sum; also it was the only offer of employment that I had. I called on the shoe stores in the small cities and villages from Bellingham, Washington, to San Diego. (An unofficial stop was Tijuana!) Our trademark was "Soft Shoes for Tender Feet." Our best sellers were a black kid oxford and a high-button boot. A three-strap black kid slipper was our most daring model. When high style came to women's shoes in the late twenties, Grover's faded from the scene. I liked the work, except for the unhappy occasions when I would pay $5.00 for a sample room, dust off the toes of 120 sample shoes, and wait in vain for the buyer who had no doubt discovered a more exciting way to spend his afternoon. One day in Corvallis, Oregon, I met a store owner whom I liked at once. He was friendly and cordial. I thought I had never met a nicer guy. He gave me a large order. Unfortunately, his credit was so bad that the factory would not have shipped him a dozen pair, much less the hundred dozen he had ordered.

Meanwhile, my older brother, deep into the Florida

boom of the mid-twenties, was urging me to come to Sarasota and join him in putting together a fortune. So, after a year, I left the shoes and the West Coast and became a Florida "realtor." My timing was not good. Shortly after my arrival, late in 1926, the boom breathed its last. All sales abruptly stopped, contracts were forfeited, and the only real estate activities were foreclosures. I liked Sarasota but had no visible (nor invisible) means of support. I lived happily there for two years on my meager capital. My only sad experience there was watching Walter Hagan beat Bob Jones 12 and 11 in a 72-hole special match. I came home to Alabama to look for a job.

Fortunately, in the summer of 1923, two of my MIT classmates and I had worked for Alabama Power as apprentice linemen. (Some of our early attempts at climbing poles had evoked unseemly mirth from the journeymen. But we persisted, and by summer's end we could "rawhide" with the best of them.) One thing we never dared. We were building 115,000-volt transmission lines and at some river crossings the poles of the H-frame structures were about a hundred feet high. The cross-arms up top were double plank, each plank perhaps three inches wide. The two poles were usually some fourteen feet apart. The old-timers would trot (not walk) across the arm from one pole to the other. MIT Class of 1924 crawled.

The only job that I could find with Alabama Power after returning from Florida was as a merchandise salesman in Gadsden. After knocking on countless doors, I sold a Whirl-Dry washing machine to a buxom housewife. My commission was a welcome six dollars. Later in the day, one of her neighbors called to say that the washing machine had my customer pinned to her kitchen wall. When the drying cycle was reached, the cylindrical copper tub would revolve at high speed, spinning the water from the clothes into an outer tub. This gave the machine a tendency to walk across the floor. I retrieved the machine.

The company retrieved my six dollars. I sold electric ranges and refrigerators with somewhat better success. In fact, after a few months, I became the company's top salesman. This was due not so much to my sales skills as to conditions existing at the time. Many of the men in the Gadsden and Alabama City steel mills were making as much as twelve dollars a day, a generous, princely wage in those days. The "living was easy." Not many of the outlying communities had electric service. If the residents would buy appliances sufficient to produce the required revenue, the company would be happy to build the lines. All I had to do was to talk about the joys of electric cooking and refrigeration and compliment the housewife's hairdo. Eventually the suburban areas were electrified, and I joined the industrial power engineers. After a couple of years at that, there came an attractive opening in similar work at South Carolina Power, newly acquired subsidiary of Alabama Power's parent company, Southeastern Power & Light.

South Carolina Power, operating in the Carolina low country was the outgrowth of the old Charleston Consolidated Railway, Gas & Electric Company, owned by the United Gas Improvement Company of Philadelphia. It was acquired by Southeastern Power & Light in 1926. Two years later, it engaged in a major expansion, consolidating with it the Edisto Public Service Company and the Augusta-Aiken Railway & Electric Company. Immediately after the consolidation, the Georgia properties of the latter company were conveyed to Georgia Power. In 1928 and 1929, South Carolina Power also acquired the electric properties of the towns of Barnwell, Beaufort, Ehrhardt, Mt. Pleasant, Summerville, and Walterboro. Though still small, compared to Alabama Power and Georgia Power companies, it was no longer a local utility.

I arrived in Charleston on a gray November day in 1928. A shocking sight met my eyes. Thousands of gallons

of fine Scotch whisky were being destroyed at the Customs House. Streams of booze were running through the gutters into the sewers. Some thirsty souls were trying, until shoved away by the marshalls, to dip it up.

Charleston, an Old World city, was to me a brand new world. I had never heard the English language so handled. Indeed, I wondered if it were the English language at all. Nearly twenty years later, when we had just moved to Atlanta, my wife, a native Charlestonian, was shopping at Rich's. She had asked the girl to show her a "black street dress." After looking at several, she chose one, but she said doubtfully, "I think it may be cut a little low in front." The young lady reassured her, "Mrs. Crist, after you've been in this country a few months, you'll find that all the American women are wearing them this way."

On one occasion, it is said, Saint Peter was showing some new arrivals around heaven. They were entranced, but one thing bothered them. "Why," they asked, "in this wonderful place do you have that dismal jail? We saw two wretched men peeping out from behind the bars." "Oh!" said St. Peter, "they are Charlestonians. If we turned them loose, they would go back."

Charleston people are delightful. They know they are a cut above everybody else and that they live in a city second only to heaven, but they are not smug or conceited about it. Rather, they are sympathetic toward their less fortunate brethren. And they enjoy laughing at themselves. Our company counsel and my closest friend, although a score of years older, was the son of an officer on General Lee's staff. His wife was the daughter of another distinguished Confederate general. One day her maid became seriously ill, and it was necessary to engage a replacement. The new maid was a Gulla Negro from nearby Edisto Island. Her indoctrination included instructions on the use of a silver card tray when ladies came to call. Soon after, three elegant ladies arrived for an afternoon visit.

The new maid answered the door. She looked at the ladies, and her eyes opened wide in horror. "Lord God," she moaned, "I done forgot de pan!"

Our counsel liked Kentucky bourbon, and there were always bottle and glasses in his desk drawer for use when the business at hand had been concluded. One day a client from Walterboro came in. By eleven o'clock, the discussions were finished. "How about a drink?" said my friend. "Well, I don't know," said the client, "it isn't noon yet." "Damn it, man," said our disgusted counsel, "when you want to go to the bathroom, do you look at your watch?"

With the old Charleston company came its transportation system, and trolleys were an important source of the company's revenues. In summer, the street cars to Sullivan's Island and Isle of Palms did a booming business. Pleasure-bound passengers boarded the ferry boats "Sappho" and "Lawrence" for the trip across the harbor to Mt. Pleasant and from there took the trolleys to the islands. It was in February, 1938, that the street railway system was replaced by a fleet of motor buses.

Manning the buses during wartime was a problem. We finally turned to women drivers. Some of them presented problems in themselves. They were often rough and ready, independent, short-tempered, and, not infrequently, profane. To bolster our image, we instituted a "Courtesy School" for the bus drivers. One day an elderly gentleman came to my office with a complaint. He said, "I boarded your bus this morning near my home at Windermere to go to my job at the Navy Yard. We went a short distance and one of the tires blew out. After a long delay, your service truck came and fixed it. I was now late for work. We resumed our forward progress, but after a mile or two the brakes caught on fire. I walked to the front of the bus and said politely to the driver, "Young lady, do you think I will ever get to work today?" She said, "Listen, I don't

enjoy this damn ride any more than you do. Do you want your damn nickel back?" (We had instituted a five-cent fare in the hope of stimulating business.) "I don't think your passengers should be spoken to that way." I could not but agree. The young lady turned out to have been an honor graduate of our Courtesy School.

Aside from my routine duties at the power company, I spent much time in Columbia with the Public Service Commission and at the Capitol when the legislature was in session.

My twenty years in Charleston were a bright chapter in my life, particularly so because I was able to persuade a beautiful and charming native daughter to cast her lot with mine.

COMMONWEALTH & SOUTHERN

COMMONWEALTH & SOUTHERN

n the 1920's many electric utility operating companies were being put together under holding companies. The holding company structure offered many advantages: it provided a vehicle for supplying equity funds for the construction requirements of subsidiaries; through a service company it could furnish engineering and design for the operating companies' major projects as well as fuel procurement, insurance, tax and pension planning, public relations, and many other services at cost. Commonwealth & Southern was one of the largest holding companies in the nation. Organized in 1929, under the laws of Delaware, it owned the common stocks of five northern utility companies: Consumers Power Company of Jackson, Michigan; Central Illinois Light Company of Peoria, Illinois; Southern Indiana Gas and Electric Company of Evansville, Indiana; Ohio Edison Company of Akron, Ohio; and Pennsylvania Power Company of New Castle, Pennsylvania. There were also six southern companies: Alabama Power of Birmingham; Georgia Power of Atlanta; Gulf Power of Pensacola; Mississippi Power of Gulfport; South Carolina Power of Charleston; and Tennessee Electric Power Company of Chattanooga. All of the southern group except the Tennessee company, had been owned by Southeastern Power & Light.

Commonwealth & Southern's first top man was Bernard C. Cobb. A native of Boston, born in 1870, he attended Phillips Andover Academy. At eighteen, he went to work

for the Pennsylvania Railroad at Grand Rapids, Michigan. During the next sixteen years, he advanced rapidly in the gas, railway, and electric utility business in Michigan. In 1906, he became a member of the firm of Hodenpyl, Hardy & Co. in New York, a utility holding company. He served as president of seven of its operating companies; and, when Commonwealth & Southern was formed, he became its chairman and chief executive officer.

When Cobb became chairman of Commonwealth & Southern, Tom Martin became its president. They were about as congenial as two unacquainted junkyard dogs. Martin was proud of his image as a prominent and public-spirited builder of the South and its institutions. Cobb's interest was strictly in earnings-per-share. I don't think he gave a damn about his public image. The association could not last. Martin left after two years, saying that he could not agree with "some of the policies and methods employed and their economic and social implications." I can imagine what Cobb said. At any rate, Tom Martin returned to his first love, Alabama Power. A year later, in 1932, Cobb retired, citing poor health as his reason.

I did not care much for Mr. Cobb, but this should not be taken as a reflection on him. Undoubtedly, he had many fine qualities, but I knew him too slightly to appreciate them fully. When we took our annual South Carolina Power budgets to him in New York for his review, he would let us cool our heels in his outer office, sometimes for three days before granting an audience. Then, perhaps because we were such a small segment of his operations, or maybe because of a touch of indigestion, he would give us a cursory and curt review. To me, he had the warmth of a Lake Michigan muskellunge. I remember one bright October day when we were due to see him quite early in the morning (postponed from the previous day), our Charleston delegation had, at some trouble and expense, managed to get tickets to the World Series game for that

afternoon. If we could get away by noon, we could make it. He saw us at five o'clock.

On Cobb's retirement, a forty-year old Hoosier lawyer was named president of Commonwealth & Southern. Wendell Willkie had become associated with John C. Weadock in the firm of Weadock & Willkie in New York in 1929. The firm was general counsel to the corporation. Willkie's tenure began as the Great Depression was in full swing. He sought to improve the company's earnings by vigorous promotion of the sale of electric appliances. The operating companies rallied enthusiastically to the cause. By 1934, sales to residential customers were 33 percent greater than in 1930. Unfortunately, however, the depression had so affected commercial and industrial operations that the residential sales gain of 150 million kilowatthours was nullified by a 600-million kilowatthour loss in commercial and industrial sales. And, during this period, net income of the corporation, which had amounted to $24 million in 1930, had become a net loss of one and a half million dollars in 1934.

There was a general feeling of gloom among the system people. The earnings performance of both the northern and the southern groups was disappointing. Some of the holding company people felt that too high a price had been paid for the Southeastern Power & Light companies. Occasionally, one would hear the bitter comment that "nothing good ever came out of the South." But these were fighting words, and soon that sort of slur was no longer heard.

A desperate measure was the creation of what we peons (I was then an engineer with South Carolina Power) called the "wrecking crew." It comprised Willkie and two of his associates. Its function was to eliminate jobs and to reduce the salary levels of the survivors. They would question those who had managed to get their heads above water. L. A. Magraw was the Carolina company's top

local man. He was a gruff, able engineer, who had been trained at Westinghouse. His salary was $12,000. They said to him, "Twelve thousand dollars! Mr. Magraw, what do you do for that kind of money?" He said, "I run the company. That's all there is to it." He escaped the axe. My salary was $5,000. They cut it to four. In each of the southern companies, engineers, accountants, district managers, and department heads by the dozen were terminated with sixty days' severance pay. Many of our best engineers found ready employment with the Tennessee Valley Authority, a loss from which it took our system two decades to recover.

WENDELL WILLKIE

"A sadder and a wiser man, he
rose the morrow morn."
—Samuel T. Coleridge

endell Willkie earned a law degree from Indiana University in 1916. World War I interrupted his legal career which he began in his father's law office. After the war, Willkie specialized in corporate law. In 1929, he moved to New York to work in the legal department of Commonwealth & Southern. Four years later, he became president of the company.

Willkie became a national, and indeed international, figure because of his dynamic and vigorous feud with the federal government over the right to provide electric service to the people of Tennessee. He caught the public attention and admiration with his slashing attacks on political chicanery and on government spending of taxpayers' money to take over his companies' customers and properties. When the United States Supreme Court refused to consider the question of the constitutionality of the Tennessee Valley Authority, he sold it the properties of the Tennessee Electric Power Company for $78 million. Willkie said to his disappointed stockholders, "It's tough to negotiate with a pistol at your head." Nevertheless, Wall Street saw the result as a sort of victory for the utilities. Better than nothing, I guess.

Hardly was the TVA fight over when congressional debate began on the Public Utility Holding Company Act of 1935. Again, Willkie came out swinging. He argued with logic and eloquence. Franklin Roosevelt, with strong political support, marshalled the full force of the New Deal behind the legislation. Its passage ushered in a brand

new ball game. Commonwealth & Southern common stock, which had enjoyed a high of $33, went down to 12½ cents.

Writers fascinated Willkie. Whenever he came to Charleston, which was often, he would gather around him a number of his favorites, including Archibald Rutledge, Josephine Pinckney, Herbert Ravenel Sass, Tom Waring, and Glenn Allan. They wound up doing most of the listening. But his views, if extensive, were original and interesting, and the writers were quite impressed.

At the Commonwealth & Southern directors meeting on July 1, 1940, Mr. Willkie announced that he was resigning in order to seek the Republican nomination for the Presidency. The reaction was not enthusiastic. The directors were by no means anxious for him to leave the company. Further, they considered his chances for the nomination infinitesimal. Willkie, himself, was the epitome of confidence. When he won the nomination, the unbelievers became as convinced as he that he would be elected President.

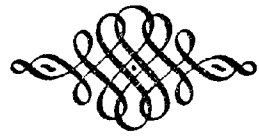
Soon after the convention, he came to Charleston to see his close friend, Ernest Godshalk, then head of South Carolina Power. I happened to be present. Willkie was explaining to us how he would win the election, which key states he would carry, and why he could count on no less than 200 electoral votes. Willkie believed that Roosevelt's unprecedented third-term try would spell the President's doom. It was not to be. Willkie carried only ten states with eighty-two electoral votes. His opponent won thirty-eight states with 449 votes. Even so, Willkie's twenty-two million popular votes were only five million fewer than FDR's.

Afterwards, some of Willkie's former associates would say that he had led the Republican Party into a ditch. Not so. The party was already in a ditch, adroitly maneuvered there by the third-term candidate.

Willkie's book, *One World,* published in 1942, outlined his views for international cooperation and his vision of a happier future for mankind. In the first few weeks, it had sold more than a million copies, setting a new record in publishing history.

Willkie tried again in 1944 to campaign for the Republican presidential nomination. His defeat in the Wisconsin primary was a crushing blow, and he withdrew from the race. He died later that year.

JUSTIN R. WHITING



ustin Rice Whiting, native of St. Clair, Michigan, and a law graduate of the University of Michigan, succeeded Willkie as president of Commonwealth & Southern. In 1933, he had joined Judge John C. Weacock as counsel for the corporation. It was Whiting's unhappy duty to preside over the dissolution of the company. During the congressional hearings, some inquisitors, viewing Whiting's calm and pontifical manner, said that he looked and acted like an Episcopal bishop. Whiting handled a difficult and distressing job with dignity and skill. After the dissolution, he became chairman of Consumers Power Company at Jackson, Michigan, largest of the northern subsidiaries of Commonwealth & Southern. He died in March, 1965.

OUTSIDE INFLUENCES

SAMUEL INSULL

"So comes a reckoning when the banquet's o'er, the dreadful reckoning and men smile no more."

—John Gay

now divert to an earlier aspect of the utility industry which had a far-reaching effect on our companies and other utility companies throughout the nation. Indeed, it brought about the dissolution and breakup of Commonwealth & Southern and other major holding companies. This was the affordance of a corporate device by which a small investment in voting stock could control large amounts of assets and earnings. The opportunities seemed unlimited, the temptations irresistible. By the end of the twenties, nearly two-thirds of America's operating utilities were under the dominant control of major holding company systems. Company after company was acquired. The pyramids became less stable until, finally, with the coup-de-grace administered by the market crash of 1929 and the ensuing depression, they were brought down in ruin. Ruin, too, was the fate of thousands upon thousands of investors whose stock certificates, bonds, and debentures became worthless paper. Two principal actors in the rise and fall of these utility empires were Samuel Insull and Howard Hopson.

Sam Insull, age 21, came to New York from his native England in 1880 to work for Thomas Edison as his private secretary. To go with a background of stenography and bookkeeping, he had a brilliant and resourceful mind. Insull had met Edison's chief engineer, Edward Johnson, in London, and the path to the great inventor was soon

marked out. Edison, in turn, could hardly have helped being impressed by his new employee. Here was a young man who worked harder and longer than the boss himself, one who could bring order out of Edison's chaotic personal affairs, and one who was fanatically loyal to his employer and his job. Soon he was secretary of each of Edison's various companies. From time to time, Edison would give him blocks of stock in the companies.

In 1892, J. P. Morgan had put together the Thompson-Houston Company and the Edison General Electric Company to form a new corporation, the General Electric Company. With Morgan in control and Edison out, Insull began to look around. It so happened that the Chicago Edison Company's directors were just then searching for a president. They knew that Insull had been Edison's number-one man, and they asked him to recommend someone. Insull responded with alacrity. He recommended Insull. Thus, 33-year-old Sam moved to Chicago to head the company. Then came the first step in his career of personal and corporate borrowings, $250,000 from Marshall Field to buy Chicago Edison stock.

In 1896, the company needed money for expansion and acquisitions, but the so-called "Bryan panic" had dried up major sources of funds in America. Insull went to London and, in a dazzling display of salesmanship, sold sufficient of his company's bonds to meet its needs. He had already demonstrated skills in public relations and in rate-making and in promoting the use of electricity. He then came up with a new financing device, the open-end mortgage. His innovative financial policies changed the whole pattern of American business development.

Much of Sam Insull's success was due to his political acumen. He worked at this. He made large campaign contributions—frequently to opposing candidates — and he provided minor jobs for distribution through the ward bosses. These were legitimate, never "make-work," jobs;

and he figured he might as well get some political mileage out of them. He made it a point never to ask a politician for anything to which he was not entitled or for anything that might politically boomerang.

Owners of small, struggling electric systems often called on Insull for help. Almost invariably he responded, and his managerial expertise soon had them in good shape. Instead of salary or fees he got securities, usually common stock of the ailing company. These were to become an important part of his fortune.

Insull's two principal companies in 1907 were Chicago Edison and Commonwealth Electric. Their systems were interconnected and operated as a unit, and he decided to merge them into one, Commonwealth Edison.

Sam's younger brother, Martin, was put in charge of a number of small electric companies in Indiana. By 1911, he was running electric, gas, and street car operations in the area across the Ohio River from Louisville. As these properties grew, financing them became a major problem. Thus, Middle West Utilities Company was formed as a holding company, acquiring the properties in return for its securities. Middle West expanded into Illinois and Kentucky continuing to issue its securities.

Beginning in 1907, Harold Stuart of Halsey, Stuart and Company, began to market the senior securities of the Insull companies. He was a pioneer in the mass marketing of utility bonds. By 1922, he was selling nearly two hundred million dollars worth in a year. As Forrest McDonald puts it in his book, *Insull*:

> Utility bonds were unusually lucrative; they afforded hidden opportunities for profits that dwarfed the visible profits of commissions on initial sales. For one thing, because utilities issued bonds regularly and in relatively large quantities . . . they made possible huge secondary market profits. The house that marketed the bonds of a particular utility had the exclusive function of protecting both buyer and issuer by "making a market" for the

bonds: trading them on the open market to stabilize their prices within a certain range. Furthermore, it continued this function even when new issues were not being offered. Only small purchases were necessary; $50,000 daily might be all the trading needed in the bonds of a $100,000,000 corporation. But, over a period of time, the bond house could accumulate large holdings at the bottom of the permitted range, do everyone a service by running the price up to the top of the range, and then sell its accumulated holdings to a single institutional buyer at the market price and at a sizable profit. Over the life of a bond issue, the investment bank that managed it could make as much in this manner as the entire face value of the issue. Again, utility issues offered another special source of profit. Utilities were being consolidated as rapidly as they were being expanded, and with every reorganization, it was necessary to call in all the securities issued before and issue new ones. Reorganization yielded a double commission on the total capitalization of the consolidating companies. For these reasons, financing utilities was many times as profitable as running them.

Inevitably the House of Morgan set out to enter and to control this field. Its United Corporation was formed to be in the electric utility industry what American Telephone & Telegraph was in the telephone industry. That it never succeeded in doing so was, perhaps, a major blessing. In 1927 and 1928, Cyrus Eaton, the Cleveland financier, was acquiring substantial amounts of stock in Insull's larger companies. Insull, alarmed and determined to perpetuate his control, created an investment trust called Insull Utility Investments (I.U.I.). He turned over all of his utility securities to I.U.I. in return for its stocks. Most of 1929 saw all stock prices soaring, and at mid-year Insull's net worth (on paper) exceeded $150 million. Then came October and the great stock market crash. Insull was undaunted. He took on $200 million in new debts, including $50 million in five-year notes of the Middle West Utilities holding company, maturing at the

rate of $10 million a year. Meanwhile the Depression, triggered by the market crash, was deepening. One of the $10-million notes came due on June 1 of the terrible year, 1932. The banks could not, or would not, take any more. Middle West went under. There remained Commonwealth Edison, Peoples Gas, and Public Service of Illinois. The banks demanded Insull's resignation from each of these companies. Exhausted, he went to Europe with his wife and settled in a small apartment hotel in Paris.

Politicians the country over began keying their campaigns against Insull. The Democratic presidential nominee, Franklin D. Roosevelt, goaded by Harold Ickes and Donald Richberg, both long-time Insull haters, blasted him eloquently.

On October 4, 1932, the Cook County Grand Jury returned indictments against Insull for embezzlement and larceny. In February, 1933, he was indicted by the U.S. government for using the mails to defraud and, in June, for violating the Bankruptcy Act.

On October 2, 1934, the trial began. When Insull took the stand, he described his early years with Edison, his coming to Chicago and working out the economics and the operating problems of the business, the installation of the first small steam turbine and huge ones that followed. He had said before the trial began, "My judgment may be discredited, but certainly my honesty will be vindicated."

The prosecution showed that thousands of "little people" lost their life savings, while Insull and Stuart and others had prospered. Insull's fall, while perhaps directly due to his pyramiding and to the market crash and depression, came about largely because of the nature of the industry itself. Its inexorable growth demanded more and more capital investment. When the sources dried up, the end was inevitable. The Chicago and New York bankers, so solicitous of his business, so anxious to extend him un-

limited credit when things looked good, looked the other way when things turned sour.

On November 24, the jury returned its verdict: "All defendants innocent of all charges." *The Chicago Times* summarized it: "Insull and his fellow defendants — not guilty; the old order — guilty." That was the Insull defense, and the jury agreed with it.

Samuel Insull died of a heart attack in Paris on July 16, 1938. During this turbulent era came some of the most far-reaching legislation in the nation's history. In 1933, Congress created the Tennessee Valley Authority which would develop "surplus power from navigation and flood control dams and be a yardstick" against which the utilities' charges and practices would be measured. In 1934, the Securities and Exchange Commission was set up to protect the interests of investors in securities. The Wheeler-Rayburn "death sentence act," officially known as the Public Utility Holding Company Act, was passed in 1935. And then, in 1936, the Rural Electrification Act aimed at the extension of electric service into rural areas through federal subsidy.

HOWARD C. HOPSON

"High office is like a mountain crag; only two kinds of animals reach the summit, reptiles and eagles."

—Jean D'Alembert

ther thousands of investors met diaster as a result of the dark wizardry of a fat, oily little man who, in a 30-year period, rose from a $100-a-month accountant's job with the Interstate Commerce Commission in Washington to control a billion-dollar pyramid. Howard C. Hopson left the ICC for a job with the New York Public Service Commission in 1908 when he was 26 years old. While in Washington, this extraordinary young man attended night school and, within a year, received B.A. and M.A. degrees, his C.P.A., and admission to the bar.

Willie Sutton studied bank robbery. He examined and re-examined the methods of the more successful operators. When he embarked on a job, he knew the location and competency of the security guards, the alarm systems, the vault opening times, the best exits, and the safest hideaways. Someone asked Sutton how he happened to get into bank robbery. He seemed surprised at the question. "That's where the money is," he said.

Hopson might have said the same of corporate legerdemain. He studied the strategy of financial juggling, legitimate and illegitimate. On the New York Public Service Commission's staff, he was a key man in public utility regulation. He greatly enjoyed looking behind the companies' books and coming up with alleged write-ups of property accounts, depreciation accounting gymnastics, and other shenanigans. He could unerringly track and dis-

close any off-key accounting entry. The utility people who came before the commission regarded him as a "tough, mean son-of-a-bitch." But he was amassing a tremendous knowledge of utility financial structures, how to control much with little, and how to leave behind a track so complex and confusing that the trackers would throw up their hands.

It was in 1907 that a group of Ithaca, New York, promoters organized the Associated Gas & Electric Company to own and operate ten small electric and gas companies in New York, Ohio, and Pennsylvania. Five years later, the utility-management firm, J. G. White & Co., obtained control of the system; and John Mange, its general manager, came to the Public Service Commission — really to Hopson — for approval of proposed financing and recapitalization. Thus began an association that would have a lasting effect on the utility industry, on American business in general, and on more than half a million hapless investors. In 1915, Hopson left the regulatory field to set himself up as a utility consultant. He had long envied the attorneys and "experts" who appeared before the commission and who were paid more for a day's work than he received in a month. His first client was J. G. White & Co. Soon he also was doing work for American Telephone & Telegraph Company, the Consolidated Gas Company of New York (predecessor to Consolidated Edison), and the Electric Bond & Share Company.

A few years later, in 1922, Hopson and Mange decided to buy up J. G. White's controlling interest in Associated Gas & Electric Company (Ageco). They created two investment companies. The first, using money which Hopson had saved and borrowed, bought about a third of Ageco's 6,000 outstanding shares. Then, using this stock as collateral, they borrowed $50,000 from banks and loaned it to the second investment company. With this, the latter bought two small electric operating companies from Ageco

and promptly sold them to another Ageco company, the New York State Gas & Electric Corporation, for $370,000. Then the first investment company took the proceeds from the second, paid back the banks' $50,000 and bought another 3,000 shares of Ageco from White for $150,000. This gave Hopson and Mange more than 80-percent ownership of Ageco. The first investment company at the same time paid White $100,000 for Standard Heat, Light and Power Company and sold it to an Ageco subsidiary for $290,000 and then bought the remaining Ageco stock for $50,000. Thus Hopson and Mange had obtained 100-percent control of Ageco for $296,000 and had left a profit to themselves of $218,000. As the Securities and Exchange Commission commented much later, "More than enough for the purchase of control over Ageco was extracted from an Ageco subsidiary in sales of securities at exorbitant profits, wherein arms-length bargaining was conspicuously absent."

The transactions were only the beginning of a long series of manipulations and pyramidings which, by 1929, had Ageco as one of the five largest holding company systems in America. So long as Hopson could keep on selling new securities and rigging the market for existing ones, the weakness of his structures was not apparent to his investors. When the stock market collapsed, it became obvious that Ageco was in deep trouble.

Hopson's theory of holding company finance was to get the system's debt up to the top of the pyramid, doing all the system's financing with the holding company securities. In this fashion, the operating companies' earnings, unencumbered by underlying debt, could flow uninterrupted to the top. By 1932, the system's earnings were hard hit by heavy bond and debenture interest at the top and had declined to the point where the banks demanded the pledge of the operating companies' stocks as a condition of their loans. Hopson knew then that the end was near.

His long and tortuous struggle to avoid bankruptcy and to keep himself in control of the Ageco empire remains one of the most incredible chapters in America's corporate history.

In 1935, Hopson was investigated by the U.S. House of Representatives and in the same year by the Senate. I remember reading of the latter. Hugo Black, later to become an associate justice of the Supreme Court, was chairman of the Senate committee. He was giving Hopson a blistering cross-examination. It had been shown that the Hopson management, in lobbying against passage of the Holding Company Act, had used names gleaned from headstones in a number of western Pennsylvania cemeteries. Those names were signed to floods of telegrams to congressmen and senators. When Hopson disclaimed any knowledge of this activity, Black snapped, "You are a liar!" Hopson grinned at him. We had been brought up to believe that such language required prompt retaliation. Whether you were, in fact, guilty of lying was not particularly pertinent. What was important was that the epithet had to be addressed. Some of us up to then had a sort of grudging admiration for the amazing sleight of hand of our fellow utilityman. It was gone for good.

Hopson's extravagant finance, write-ups, and the practices of his wholly owned and controlled service companies contributed largely to his downfall. The latter were retained by the managements of the operating companies to render technical services in engineering, accounting, finance, rates, taxes, etc. at charges which provided handsome profits to their owner. All these things together helped to assure the passage of the Holding Company Act. The great irony was that the one who did so much to darken the image of the industry was largely instrumental in assuring that there could never be any recurrence of such doings. The Securities and Exchange Commission discovered that Ageco had survived through the

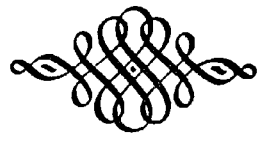
thirties by paying dividends out of capital. The commission, in its order of January 10, 1940, had these payments stopped. Now Ageco could not meet its own obligations. The same day Ageco and its affiliate, Agecorp, filed petitions in bankruptcy. More than 500,000 people had invested nearly a billion dollars in Hopson's companies. Most of the senior debt holders accepted anywhere from eight cents to forty cents on the dollar for their claims, while the junior debt holders and stockholders were wiped out entirely.

A reorganization plan was submitted to the Securities and Exchange Commission in June, 1943, about 42 months after the commission's order. It was approved by the commission a year later. It called for a single top holding company, instead of two, a greatly simplified capital structure, and only one class of common stock. It had yet to be approved by a Reorganization Court, the Court of Appeals, and the security holders. After these approvals, the plan became effective on January 1, 1946.

Hopson, himself, never achieved any happiness or satisfaction from his operations. With the exception of John Mange, it is doubtful that he had any friends at all. He worked day and night in his office at 61 Broadway and in hotel rooms around the country. His only love affair ended in 1922 after a year of marriage, when his bride, a former war nurse, committed suicide by jumping from an apartment window before his eyes.

Sentenced to jail for mail fraud, he served two and a half years. Then, shattered mentally and wasted physically, he was carried off to a Westchester sanitarium to exist on an annuity of $6,000. His companies came out of receivership after major surgery as General Public Utilities, a thoroughly sterilized enterprise, headed by Albert F. Tegen who had been an investigator for the Securities and Exchange Commission.

TENNESSEE VALLEY AUTHORITY



his multi-billion-dollar product of the Roosevelt New Deal stands as perhaps the greatest deception ever perpetrated on the American taxpayers by their government. It was created in 1933 to build dams to control floods and to provide navigation on the Tennessee River and its branches. Incidental to those worthy goals, the proponents suggested that the Tennessee Valley Authority could produce electric power as a "by-product." It has since become the world's largest producer of electricity.

Father of the TVA was Senator George W. Norris of Nebraska. Norris voted against United States entry into World War I. He was as independent as a hog on ice; and, for some of my younger colleagues, that was a phrase frequently used to express extreme and unrestrained autonomy. He opposed American membership in the League of Nations after the war. He was a strong advocate of government ownership of electric utilities, and his greatest dream was the development of the electric power potential in the Tennessee River Valley. His antipathy for the "well-entrenched, enormously rich and powerful" utilities was well known. His bill for the creation of the Tennessee Valley Authority could hardly have passed as a power project. On the other hand, as a navigation and flood control proposition, marketing only that power which would be generated incidental to those activities, it had smooth sailing. Its proponents repeatedly disavowed any intention of building any steam-electric plants. Now

it has more steam capacity than any other single power enterprise on earth. Nearly fifty years after passage of the TVA Act in 1933, the great bulk of TVA's output comes from steam-electric generating plants and only a relatively small amount from hydroelectric generation.

President Roosevelt proclaimed that the Authority would serve as a "yardstick" by which to measure the fairness of utility rates and as a "birch rod in the closet" for disciplining those which were out of line. He failed to mention that its virtual freedom from taxation and huge subsidies gave the so-called yardstick a length of about eighteen inches.

For chairman of TVA, President Roosevelt selected the president of a small Ohio college, Arthur E. Morgan. Morgan was a highly regarded hydraulic engineer and one who had little time for politics or politicians. He looked on public service as a public trust. He took seriously the wording of the Act creating TVA, "for the especial purpose of bringing about in said Tennessee drainage basin and adjoining territory . . . the maximum amount of flood control; the maximum development . . . for navigation purposes; the maximum generation of electric power consistent with flood control and navigation . . . ." For his two colleagues on the Board, Arthur Morgan chose Dr. Harcourt A. Morgan (no relation), president of the University of Tennessee, and David Lillienthal, who had made an impressive record as a young lawyer on the Public Service Commission of Wisconsin. The board members rarely, if ever, saw eye-to-eye. Arthur Morgan wanted the Authority to proceed along the lines set out in the Act. He was perfectly willing to deal openly and fairly with the opposing utilities. Harcourt's main interest was in fertilizer programs, while Lillienthal, like Roosevelt, was convinced that the power program was the key not only to revolutionizing the Tennessee Valley but also to acquiring several million votes.

Arthur Morgan later said that Roosevelt had "worked out a philosophy that made ethical considerations secondary to the possession of power." Although the directors were appointed, as prescribed in the Act, for nine-year terms, Roosevelt fired Morgan in 1938 for contumacy, defined as "perverse and obstinate resistance to authority."

The President explained to Congress that "he (Morgan) is temperamentally unfitted to exercise a divided authority." He then named Harcourt Morgan chairman. In 1941, Lillienthal became chairman, serving until 1946.

It soon became apparent that TVA's markets for electric sales were those being served by investor-owned utilities — among them Tennessee Electric Power, Alabama Power, Georgia Power, and Mississippi Power. At that time, these companies were units of Commonwealth & Southern. Equally apparent was the futility of these units trying to compete with an agency liberated from virtually all taxation (local, state, and federal) and enjoying huge capital contributions from the taxpayers in the name of navigation and flood control. It was almost as if those investor-owned companies were running a race with a man they were carrying on their backs.

In November, 1937, those companies and others brought suit to prevent the execution of the Tennessee Valley Authority Act to the extent that it involved the generation, transmission, distribution, and sale of electricity in the areas served by, and in competition with, them. The suit was brought in the U.S. District Court of the Eastern District of Tennessee before Circuit Judge Florence E. Allen and District Judges John J. Gore and John D. Martin.

Attorneys for the complainants included Newton D. Baker, who served as Secretary of War in President Woodrow Wilson's cabinet during World War I, and Raymond T. Jackson. Baker died while the trial was in its early stages, and Jackson carried the ball from there on. TVA's

principal lawyers were James L. Fly and John Lord O'Brian.

Jackson sought to show that TVA's electric power was not constitutionally produced. He showed that the plans for the Tennessee River development were "deliberate and purposeful" power developments and not the incidental result of the improvement of navigation or flood control. He argued that the plans to sell the electricity fraudulently replaced local and state regulation of intrastate electric rates by federal regulation. Further, he insisted that this regulation by a so-called federal yardstick omitted a large number of necessary costs of production and distribution and was thus invalid and confiscatory. He pointed out that the sale of power, at rates subsidized at the expense of federal and state taxpayers and at less than cost, results in unfair competition and that the existing utilities were faced with the loss of the value of their business and their property. For example, he said, if the Tennessee Valley Authority extended its service to Chattanooga, the existing utility would be compelled to meet its rates or go out of business.

Fly and O'Brian contended that TVA's proposed dams would provide both navigation and flood control as required by the statute and that, in performing this dual function, they would inevitably create, as a "by-product," hydroelectric power.

During the course of the trial, the government lawyers objected to virtually every offer of proof of the plaintiffs' contentions. These objections, with very few exceptions, were sustained by the court. Finally, an exasperated Jackson said, "I didn't know that it is the rule that only the government can offer testimony." He was compelled to resort to prefacing each offer with the statement, "let the record show that if the witness had been permitted to testify, he would have stated . . . ."

Tennessee Electric Power and Monsanto Chemical

Company had agreed to all of the terms of a contract for the purchase of a large block of power by Monsanto. Monsanto questioned the financial responsibility of Tennessee Electric Power in view of the operations of the Tennessee Valley Authority. Wendell Willkie was testifying about the negotiations. (At that time he was president of Commonwealth & Southern which owned the common stock of Tennessee Electric Power.) The following is from the official transcript:

> WILLKIE: Mr. Guild (president of Tennessee Electric Power) and I talked it over and through me the Tennessee power company made the proposal to the Monsanto Chemical Company that there be deposited as a guarantee to the performance of the agreement a million and a half dollars of the first mortgage bonds of Tennessee Electric Power. Mr. Queeny (president of Monsanto) declined to accept that, saying that, in view of the situation in regard to the competitive operation of the Tennessee Valley Authority, he did not consider that these bonds were a satisfactory guarantee.
>
> QUESTION: Was any contract consummated between the Tennessee Electric Power Company and Monsanto Chemical Company?
>
> ANSWER: There was not. It was made with the Tennessee Valley Authority.
>
> QUESTION: Mr. Willkie, there has been a good deal of testimony in this case about actual and threatened competition between the Tennessee Valley Authority and complainants, including the Tennessee Electric Power Company, the Alabama Power Company, and the Mississippi Power Company. Will you please state what, if anything, you have done to minimize or avoid the effect of this competition?
>
> ANSWER: I have proposed repeatedly to the Tennessee Valley Authority—
>
> MR. FLY: I object. I think it quite irrelevant as to what has been done.
>
> JUDGE ALLEN: The objection is sustained.
>
> MR. JACKSON: We take an exception. We offer to prove through Mr. Willkie that if he were permitted

to testify in response to the question just asked, he would testify that he has repeatedly proposed to the Tennessee Valley Authority and its directors in behalf of these power companies that such power companies, by closing down their steam plants, by selling as much of the power produced by them as they could to other utilities on the outside of their service areas, and by taking losses on their business, they would purchase the surplus power over and above that required for governmental purposes and redistribute the same throughout the entire Southeast at rates which would recognize any differential between the price at which TVA sold such power to them and the amount which it would cost the companies to produce such power, and would redistribute the power under appropriate governmental regulations. That offer is declined and we take our exception.

JUDGE ALLEN: The ruling stands and you may repeat your exception.

MR. JACKSON: Mr. Willkie, would such an arrangement have resulted in a wide distribution of any power being produced by the Tennessee Valley Authority, and a wide distribution of any benefits that might arise from the low price at which the Authority was offering the power for sale?

MR. FLY: I object to that as irrelevant.

JUDGE ALLEN: The objection is sustained.

MR. JACKSON: And we are allowed our exception. We offer to prove that the witness now on the stand, Mr. Willkie, if permitted to answer the question, would testify that such an arrangement would have provided a wider distribution and wider use of any power being produced by TVA than could be obtained by any other process short of ten years, and would have provided the widest possible distribution of any benefits that would inhere in the production or sale of TVA power throughout the southeastern United States.

MR. JACKSON: Mr. Willkie, what price did you propose that such utilities would pay for the TVA power?

MR. FLY: I think that is clearly irrelevant, your Honor.

JUDGE ALLEN: The objection is sustained.

MR. JACKSON: We offer to show that Mr. Willkie, if permitted to testify, would say that he offered to pay to

> the TVA for its power a price fixed by arbitration, or by competitive bidding, or, after the announcement by TVA of its so-called C-2 rate, at that rate as might be elected by the TVA.

The trial continued through 1937, and early in the next year the District Court denied the injunction and dismissed the bill. The companies then appealed the case to the U.S. Supreme Court. On January 30, 1939, the Supreme Court affirmed the judgment of the District Court and handed down an opinion which declared that despite the damages sustained by the complainants, they had nevertheless suffered no injury recognizable at law, since the franchises under which they operated were non-exclusive and so did not protect them from competition. The constitutionality of the TVA and its activities were not addressed by the Supreme Court.

Faced with this impossible situation, the companies serving the areas chosen by TVA as its market had no choice but to sell their electric properties in these areas to TVA and its distributing agencies at whatever price they could get. The entire properties of Tennessee Electric Power were sold for $78 million, barely enough to cover the outstanding bonds and preferred stock, leaving practically nothing for the common. Similarly, in 1940, the properties in thirteen north Alabama counties served by Alabama Power, areas of north Georgia served by Georgia Power, and northeast Mississippi territory served by Mississippi Power were taken over.

Recently, I came across an old album of photographs taken in May, 1940, by an Alabama Power line foreman. He had assembled some two dozen of them together with a running narrative. I really don't think that it is partisanship that makes it seem especially pathetic to me. I quote verbatim:

> In Scottsboro our company, the Alabama Power Company, used to provide electrical service, but the Tennessee

Valley Authority offered to sell electricity to the City, and the Public Works Administration undertook to finance the construction of a city-owned electrical distribution system. So a new system was built. And it was necessary for us to make arrangements to move away. These are the men who removed our electrical distribution system. First we took down the transformers. We took them to the warehouse, washed them with oil and filtered the oil. At the same time we reeled in our service wires and some short runs of secondary wire on hand reels. We used the truck to reel all the rest of the wire, putting wire of sizes up to #2 on metal reels and larger sizes of wire on wooden reels. We tried to do the work neatly, so that our second-hand wire would be just as convenient as new wire for those who might get it to use. When all the wire was in, we retired the poles and the crossarms and racks and other equipment that the poles were still supporting. We sent linemen and groundmen ahead of the truck. The linemen removed crossarms and racks with the equipment that was on them, and the groundmen reduced these to their component items on the ground below. These were picked up and taken to the warehouse on the small truck. Next behind these two men, two men with pike poles loosened the poles in the ground; then the larger truck, with its derrick and winch, was used to pull up the poles and place them at the side of the street. Behind the truck with the derrick came the truck belonging to the contractor who had agreed to fill up the holes which were left when the poles were pulled up. The poles were loaded on the truck and trailer in the manner shown. The winch on the truck did most of the work. The poles were taken to the pole yard beside the railway and loaded on flat cars. The last work we did on the retirement of our distribution system at Scottsboro was to load the last carload of poles. And now we are gone.

The late Huey Long, in a speech on the Senate floor, referred to a bird which he called a Scrooch Owl. "Excuse me, Senator," said a colleague, "I think you mean screech owl." "I do not," said the Kingfish, "I am talking about a scrooch owl. It is an owl that gets into your hen

1. *The electric industry owes its birth to the creative genius of Thomas Edison.*

2. *James Mitchell pioneered the electric utility industry in Alabama.*

3. *Captain William P. Lay, photo taken shortly before his death in 1940.*

2

3

4

5

4. *Professor Starke's students: Thomas Martin is sitting in the front row, fourth from left.*

5. *A formal portrait of Thomas Martin taken about 1910.*

6. *View of the wharf at Montgomery, Alabama, on the Alabama River.*

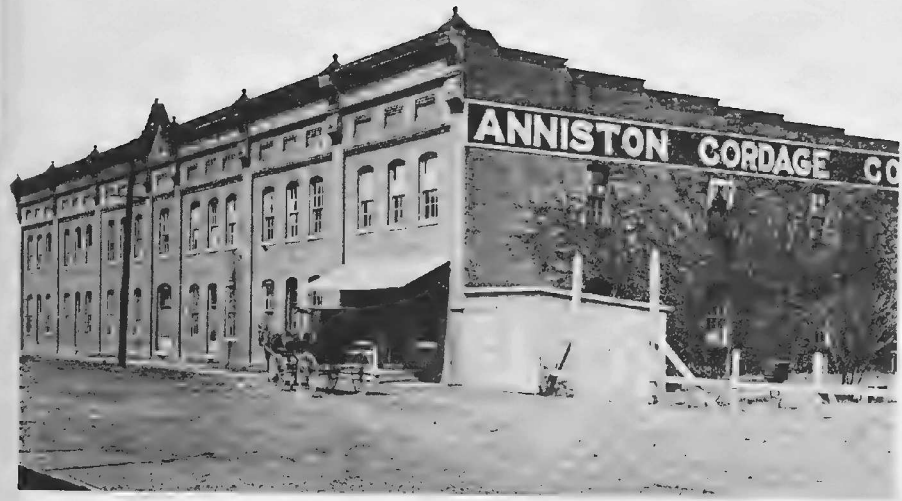
7. Alabama rivers were highways for shipping products to markets.

8. *Government tug "Coosa" used in construction of lock and dam on Coosa River, eight miles below Rome, Georgia.*

9. *Bull Sluice (Morgan Falls), Atlanta's first source of hydroelectric power, 1903.*

10

11



12

13

10. *Tallulah Falls powerhouse and penstocks, 1913.*

11. *Lock Twelve (Lay Dam) with 12 gates open during the flood of February, 1917.*

12. *Anniston Cordage Company, which manufactured cotton rope, was an early electric customer.*

13. *Hauling transmission line materials, 1920.*

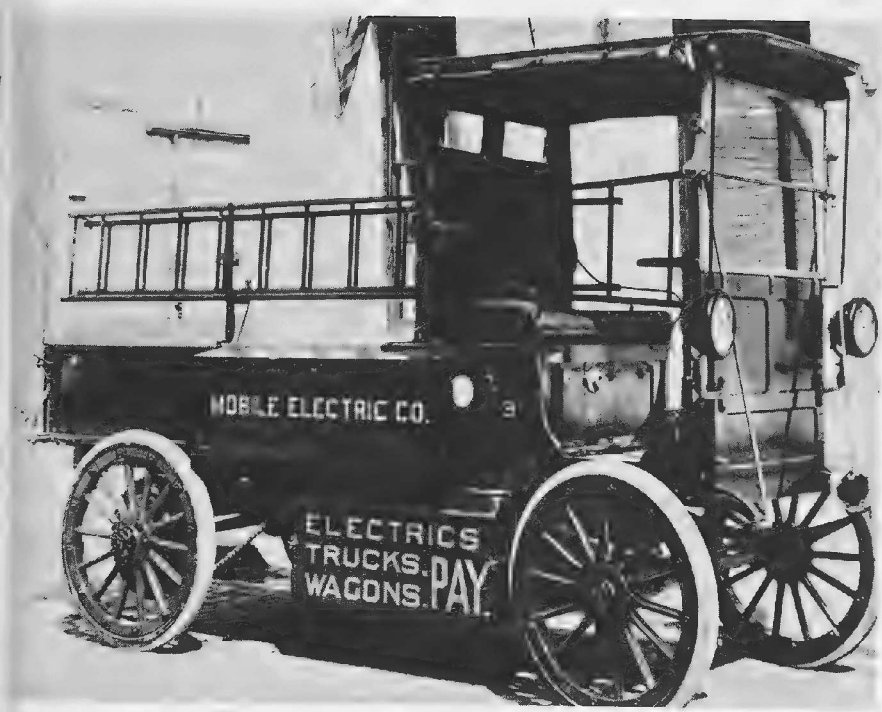
$21.50 Electric Dining Room Set for $13.05
Outfit No. 1
5-cup Electric Percolator $7.50
6-inch Disc Electric Stove $5.00
6-pound Electric Iron $5.00
Electric Toaster $4.00
Total Regular Retail Price $21.50
We Offer This Set for $13.05
Outfit No. 2
7-cup Electric Percolator $8.00
6-inch Electric Stove $5.00
6-pound Electric Iron $5.00
Electric Toaster $4.00
Total Regular Retail Price $22.00
We Offer This Set for $13.45
These sets will not be broken at this special price, and sets will be sold only to customers.

14

14. *Promotion of electric appliances helped stimulate business for electric utility companies.*

15. *Electric trucks were working advertisements for the Mobile Electric Company.*

16. *Harry Atkinson addresses the gathering at the dedication of Plant Atkinson, 1930.*



15

16

17. *Harry Atkinson had a leading part in Georgia Power's creation and development.*

18. *Preston Arkwright coined Georgia Power's slogan, "A citizen wherever we serve."*

17

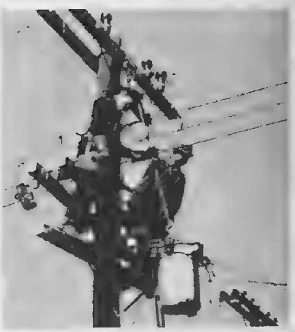
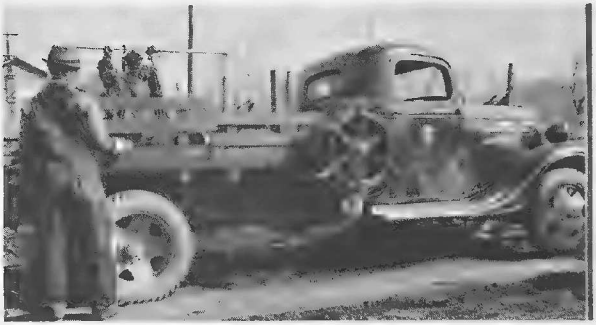
18

19. *Samuel Insull created electric utility empires which collapsed during the Depression.*

20. *Howard Hopson testifies during the 1935 Senate investigation of his financial manipulations.*

19

20

22

21. *Alabama Power line crews remove electrical equipment in Scottsboro, Alabama. See pages 83-84.*

22. *Santee-Cooper and South Carolina Power sign a "peace pact": James Crist (second from left).*

23

24

23. *Wendell Willkie (at head of table) announced his decision to seek the presidency of the United States at this Commonwealth & Southern board of directors meeting, July 1, 1940.*

24. *Financial analysts and editors were taken on tours of the Southern electric system by plane, bus, and train.*

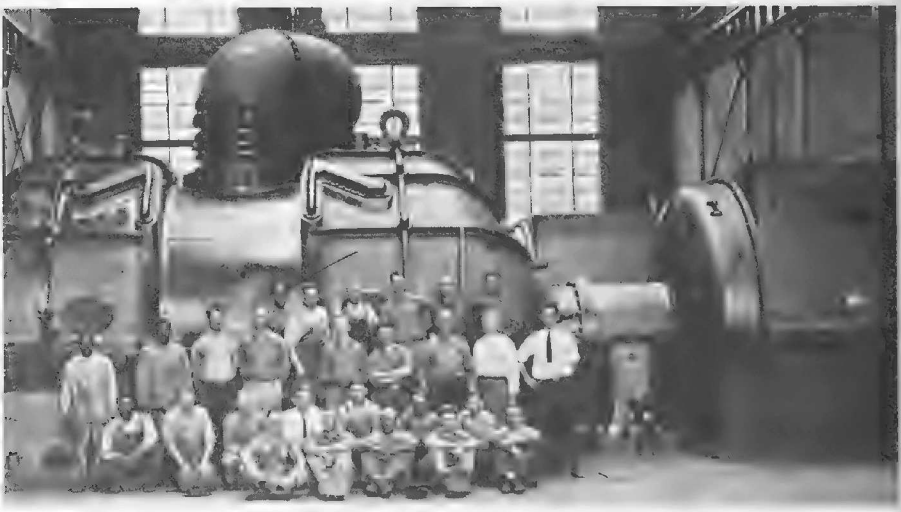
25

26

25. *Regional meetings of Southern Company stockholders were held regularly, this one in New York City.*

26. *Stockholders of The Southern Company gather for the annual meeting at Martin Dam in Alabama, May, 1963.*

27



28

27. *Eugene Yates (far right) and Edgar Dixon explained their views at a "Meet the Press" conference.*

28. *Clifford B. McManus (front row, left), in 1921, superintendent at Muscle Shoals generating plant, with plant workers.*

29

30

29. *Lewis M. Smith gestures to fellow executives at a 1952 meeting in Mobile, Alabama.*

30. *Executives of the Southern electric system in 1952: (seated) Eugene Yates, (from left to right) Thomas Martin, Harllee Branch, Jr., Lonnie Sweatt, Herbert Scholz, James Barry, Clifford McManus, and James Crist.*

31

31. *System executives at the time of Lansing Smith's retirement: (from left to right) Don Early, Bob Ellis, Jack Watson, Lonnie Sweatt, John Lastinger, Lansing Smith, Walter Bouldin, and Ernie Gaston.*

32. *Harllee Branch, Jr. has been an articulate spokesman for the American free enterprise system.*

32

33. *John J. McDonough established friendly relations with electric cooperative associations and municipal authorities.*

34. *James F. Crist relaxes with friends: (from left to right) Crist, Walter Bouldin, Beauchamp Smith, and William Rushton.*

33

34

35. *William R. Brownlee set high standards of performance for the activities of Southern Company Services.*

36. *Clyde A. Lilly, Jr. labored long and hard to promote the nuclear electric industry.*

35

36

37. *Alvin W. Vogtle, Jr. used his resourcefulness to guide The Southern Company through the turbulent '70s.*

38. *A formal portrait of James F. Crist.*

house. It scrooches up next to a hen, and pretty soon there ain't no hen."

To many of us, the TVA was a "bird of a feather."

TVA's and our philosophies were far apart; but our systems, from an operating standpoint, worked quite well together. Their engineers, many obtained from our companies during the Depression, were able and dedicated, and operations were carried out smoothly. They still are. Happily, the old animosities have gradually disappeared. In recent years the relationships between the systems have become more cordial. Exchanges of power, sales of surplus energy, and emergency back-ups now work to our mutual advantage.

SANTEE-COOPER

"Napoleon did supremely well many things that it was supremely ill to do."
—Herbert Samuel

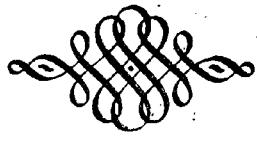
eanwhile, back in South Carolina, we were having troubles of our own. South Carolina Power's major problem in my day was the federal government's insistence on putting tax-exempt subsidized agencies into competition with us. The administration offered "grants-in-aid" to municipalities which we were serving so that they might build their own systems.

In 1937, the Public Works Administration financed the Santee-Cooper (South Carolina Public Service Authority) with a $64 million "loan and grant agreement," about half of which was an outright grant. The Authority was created by the state legislature which could not resist such generosity. The project involved digging a canal between the Santee and the Cooper rivers, forming two reservoirs—Lake Marion (100,000 acres) and Lake Moultrie (60,000 acres)—and building a hydroelectric generating plant. Obviously, it would bring into our service area, and those of our neighboring utilities, tax-exempt, heavily subsidized competition which we could not meet. We made an all-out effort to block construction of the project by seeking an injunction in the Federal District Court to restrain the granting of PWA funds. Again, Raymond Jackson, who had handled the TVA suit, headed the company effort. Again we lost. The trial lasted seven weeks, with batteries of lawyers on both sides. We sought to show that the logical and economic market for Santee-Cooper power was

the area adjacent to the project, i.e., the area served by our companies. To no avail. Although proponents had, during the trial, disavowed any intention of competing for the companies' customers, once the project was built its general manager announced that he would give the companies competition "to the n^{th} degree." And he did.

Santee-Cooper succeeded in taking some of South Carolina Power Company's municipal and rural cooperative association customers. They made an all-out effort to get the Charleston Navy Yard, but the commanding officer was not an enthusiastic New Dealer, and we kept the business.

THE SOUTHERN COMPANY



t is a fact that, while the Insulls and the Hopsons were building toward chaos, Thomas Martin and Eugene Yates had built on a solid foundation a five-state utility structure. Martin's Southeastern Power & Light Company, made up of the Alabama, Georgia, Gulf, Mississippi, and South Carolina power companies, went into Commonwealth & Southern. Four of these companies came out of Commonwealth & Southern as The Southern Company.

The rise and fall of the Insull and Hopson empires laid the groundwork for passage of the Wheeler-Rayburn (Utility Holding Company) Act in 1935. Hearings before the Securities and Exchange Commission seemed interminable. The men who spearheaded the battle to preserve Commonwealth & Southern were George Roberts of the noted New York firm, Winthrop, Stimson, Putnam & Roberts, and his young partner, Hayden N. Smith. Roberts initiated the proceedings, and later Smith took over. He had worked on Holding Company Act problems from the time that the first bills which led to the enactment of the legislation had been introduced. The result of these proceedings, encompassing a period of eleven years, was the commission's order breaking up the corporation. The Insull and Hopson tracks were just too fresh. And the Commonwealth & Southern properties were too widely separated, their operations were not integrated, their lines not interconnected.

Happily, another result was the approval and establish-

ment of The Southern Company. In its order issued in September, 1947, the commission said ". . . we find that the electric properties of Alabama Power, Georgia Power, Mississippi Power, and Gulf Power are retainable under common control as an integrated public utility system under the standards of the Act . . . ."

In my opinion, Hayden Smith was responsible, more than any other, for The Southern Company as its exists today. He showed, through such witnesses as George Middlemiss, Herbert Scholz, C. B. McManus, and others, that the operating companies had achieved substantial economies from coordinated management, planning, and operation over many years. He was able to establish conclusive proof that these economies came about through the working of operating and economic forces and not merely as a product of financial legerdemain. The goal was to hold together, under The Southern Company, the five southern operating companies of Commonwealth & Southern: Alabama, Georgia, Gulf, Mississippi, and South Carolina power companies.

A word about Smith. He graduated from Yale College in 1923 and, two years later, from Yale Law School. He spent a year as law clerk for Chief Justice William Howard Taft in Washington, then became associated with Winthrop, Stimson. In 1933, he became a partner and, except for two years in the armed forces as a military government legal officer at SHAEF and Deputy Assistant Chief of Staff at the American Army Headquarters in Frankfort, continued as such until 1976, when he became counsel to the firm. He was a tower of strength to The Southern Company. He and his associate, Allison Choate, handled the legal details of Southern's financings, indentures, acquisitions, and many other matters.

In September, 1947, the commission issued its order establishing The Southern Company as the holding company for the first four operating companies, but not in-

cluding South Carolina Power, reasoning that its power facilities were coordinated more with those of the utilities to the north rather than those to the west. Nevertheless, this was a great victory for our group, a victory somewhat dampened for me by the realization that the South Carolina company would soon be up for sale.

That the commission accepted Smith's arguments is clear from this excerpt from its order:

> According to the record there are substantial savings in operating costs and fixed charges resulting from coordinated planning and operations. Power supply economies are achieved through sharing of reserve capacity and through joint planning of generating facilities so as to stagger construction and cause facilities to be erected at the sites of cheapest operation, irrespective of corporate limits. Further power supply economies result from central load dispatching whereby, by the control of reservoirs, run of river, and fuel-electric plants, substantial amounts of water which might otherwise be wasted are conserved and thereby the need for additional generating facilities with accompanying fixed charges is averted or delayed.

When the Securities and Exchange Commission approved the formation of The Southern Company, it stipulated that the Alabama, Georgia, Gulf, and Mississippi companies, and only those, could be retained under Southern's ownership. This, of course, left the South Carolina company on the auction block. The most vigorous and determined bidder for the company was Santee-Cooper. Having witnessed the withering effect of subsidized competition on investor-owned utilities, I was determined to prevent this if I could. But the Commonwealth & Southern people, weary of the long dissolution battle and anxious to preserve what it could for its stockholders, had little choice but to listen to Santee-Cooper, which was offering $11 million for the company's common stock. South Carolina Electric & Gas Company of Columbia had made some tentative passes, but they were not taken very seriously. It

was not as large as the company it was seeking to buy; and besides, said Justin Whiting, "they haven't got any money." I attended a Commonwealth & Southern meeting in New York at which the $11-million offer was being considered. It seemed quite clear to me, at least, that acquisition of that company by a public ownership group would inevitably lead to destruction of investor-owned utilities throughout the state and, possibly, the states served by Southern's operating companies. Whiting went around the table. The opinions were almost unanimous that Santee-Cooper's offer be accepted.

I asked that I be given a last chance to find another buyer. Whiting gave me three days. I called Silas McMeekin, president of South Carolina Electric & Gas, and we set up a meeting at his home for that night. He had his attorneys and his treasurer there when I arrived. I told them of the $11-million offer. They agreed that, if it were accepted, their company would be the next to go. We spent the better part of the night discussing and discarding alternative ways of raising $11 million. The next morning we called Al Gordon, then head of Kidder Peabody & Co. He was interested. During the next few days, he and his people worked out a program for the sale of common stock, convertible preferred, and ten-year serial notes which would make possible an offer for the South Carolina Power common stock of $10,200,000. It was just the best that could be done. With little hope, I took it to Commonwealth & Southern. Whiting liked it. With his endorsement, it was approved by the board. This was in October, 1947.

Santee-Cooper sought to have the contract for the sale annulled. They fought it before the Public Service Commission, the Federal Power Commission, the Securities and Exchange Commission, the Court of Common Pleas of Richland County, the South Carolina Supreme Court, and finally the United States Fourth Circuit Court

of Appeals. They lost. The purchase was consummated. In March, 1950, the two companies became one corporation under the name of South Carolina Electric & Gas Company.

Also on the auction block were the companies' gas and transportation operations. Said the commission: "It is further ordered, pursuant to Section 11(b)(1) of the Act, that Southern shall cease to own, operate or control or have any interest, direct or indirect, in the gas and transportation properties and businesses of Georgia Power and Gulf Power and the transportation properties and business of Alabama Power." Disposition of the gas properties was not too difficult. I sold the Pensacola gas properties to the city for a good price, but nobody wanted the bus systems. I remember we set a date for opening bids on the Birmingham transportation system. At the appointed hour, we sat in the office eagerly awaiting the bidders. Nobody showed up. It was more than a year later that a Birmingham group offered an absurdly low figure, which we promptly accepted. The SEC had been breathing down our necks like an over-extended banker who sees real estate values plummeting.

In Georgia, McManus sold the Gas Light Company of Columbus but experienced a long, drawn-out undertaking in disposing of the transit systems in Atlanta, Augusta, Columbus, Macon, and Rome. Before a sale could be made final, the purchaser had to obtain a franchise from the city for operating only the transit system. It was not easy to convince the city councils that someone other than the power company would serve the city better.

Upon the approval of The Southern Company, Eugene Yates, its first president, had invited me to join the company. My wife and I were reluctant to leave South Carolina, her native state. I had a very good relationship with the state Public Service Commission and the legislature, and the living conditions in the "low country" were ex-

ceptional. But I was fairly young and ambitious; and the possibilities in the new company, with its great four-state service area, appeared tremendous.

My job was to let the people know there was a Southern Company, what it was, what it hoped to do, and why it merited their support. Investors were interested. Each of the four operating companies was highly regarded in its state. This was in the era of regular rate reductions, as larger and more efficient generating units came on line and as growth in sales brought economies in operation.

Southern's first sale of common stock (1,500,000 shares) was in December, 1949. We approached the offering with considerable trepidation. It was a new name, its track record virtually non-existent. Our companies had engineers, lawyers, and accountants, but no one who knew much about holding company finance. We were, of course, strangers to the security investment fraternity. To our surprise and delight, the issue went to the high bidder, Lehman Brothers, at a price slightly above the closing market of the day before.

Nevertheless, we needed to get on speaking and listening terms with the utility analysts and investment bankers. We knew that, if the South should grow as we expected, we would need hundreds of millions of dollars for the construction requirements of the operating companies.

We called on the First Boston Corporation for help. They assigned to us their senior vice president, James A. Lyles. It was a fortunate choice. Jim was well-liked and respected by the securities dealers from coast to coast. He helped organize our first information meeting and outlined the kinds of presentations we should make. Hayden Smith told us what we could not say; that is, forecasts of revenues, earnings, and so forth.

Lyles was a schoolmate of mine at MIT. He was one of the most attractive and intelligent people I ever knew. But apparently my opinion was not shared by one of our pro-

fessors, "Slave driver" Suggins. Jim was working one day at the blackboard on a problem in metal stresses and strains. He was not doing well. In fact, he was doing so poorly that Suggins, not known for his patience, became confused and frustrated. He said, "Mr. Lyles are you sick?" "No, sir," said Jim. "That explains it," said Suggins. "You are DUMB!"

We met with securities dealers and analysts in all the major cities; and, in a couple of years, Southern was no longer a stranger. We told our coach "good-bye." Somewhat later, Eugene Stetson, former head of Morgan Guaranty Trust Company, joined us as a financial consultant. His advice was of great value.

As previously noted, another holding company which was emerging from the wringer was General Public Utilities, owner of Jersey Central Power & Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, and Manila Electric Company. Its president, Albert F. Tegen, was looking for equity money in the same markets that we were. Sometimes we would find ourselves putting on information meetings, or luncheons, or cocktail parties on the same day in the same city. One night after a long day and evening in San Francisco, Al and Jim Lyles and I were returning to our hotel. It was about 3 a.m., and Al was leaving two hours later for his Manila Electric Company. As we walked through Chinatown, he spied an elderly Chinese standing in the doorway of his open shop. Tegen, who fancied himself a linguist, went up to the proprietor and, pointing to me, he said, "This Missa Cliss. He sell Southern Company stock, elevee and a half. You buy?" The Chinese gentlemen regarded him gravely. In very precise, clipped English he said, "You can go to hell."

After Commonwealth & Southern had been dissolved and its stockholders had received their shares of Southern as part of the exchange, we had about 110,000 holders of

Southern. They were widely spread over the nation and in several foreign countries. Southern had only a handful of employees: Yates; his assistant, Carl James; W. D. Ketchum and Leonard Jaeger in New York; and me in Atlanta.

Leonard Jaeger came to work in 1925 as a young bookkeeper in the New York office of the newly organized Southeastern Power & Light Company. He stayed with it and its successors until he retired 45 years later. In that time he trained himself by hard work and application, and he progressed from aspiring junior accountant to one of the top places in the utility finance world. The Southern Company started out in a vacuum of financial know-how. It wound up with a staff second to none in the business. Jaeger spent nearly as much time indoctrinating the younger people in his group as on his own work.

In 1949, he was elected treasurer of The Southern Company and, six years later, he became its financial vice president. His work was always meticulously done; he was a financial conservative in the best sense; and he never hesitated to voice opposition to proposals that veered to the left of center. The Southern electric system benefitted greatly from his skillful financial planning for both the operating companies and the parent company. Certainly, he helped me greatly in my own work. He retired in October, 1970. He was succeeded by George Campbell.

I wrote our annual reports and other communications to stockholders. In addition to the annual meetings, we held regional stockholders meetings in the principal cities. At these meetings, which were always well attended, the four presidents of the operating companies described their operations and their service areas. I spoke for Southern.

At the first regional meeting in New York, I met Lewis Gilbert, the well-known expert in harassing corporate management. I had asked that he be pointed out to me before the meeting. I remembered reading the account of Gen-

eral MacArthur's unfortunate response to a Gilbert question when the General was presiding at a stockholders meeting. The question was something like, "Why don't you own more stock in the company? Don't you believe in it?" Red-faced, MacArthur answered, "What I do with my money is my own business." This, of course, delighted Gilbert.

He walked into the room before our meeting began. I stepped up to meet him. He had something rolled up in his hand which he shook at me. "This thing is a disgrace," he said. It was our first Southern Company annual report—a simple black and white job. Perhaps its greatest virtue was its low cost. "What's the matter with it?" I asked. "It has no pictures," he said. "Your stockholders are entitled to see pictures of your plants and your territory." I pointed out that each of the subsidiary companies' annual reports was replete with such illustrations. He was not impressed. Over the ensuing years, he became more friendly—at times even complimentary. His book *Dividends and Democracy* is worth reading.

One of the fringe benefits of my employment with The Southern Company was the privilege of answering questions at the annual meetings. This privilege gave me insomnia (sometimes nightmares) prior to the meetings, not because of the fear of exposure of some skulduggery, but rather for the very real possibility of appearing stupid. I recalled what former Georgia Governor Marvin Griffin once remarked wryly about his experience with the press, "It did seem to me that the only time I ever got quoted verbatim and accurately was when I said something stupid."

If earnings were good, one approached the podium with confidence and poise. If otherwise, one wondered from which direction the brickbats would come. Examples: "Why don't you issue rights when you sell stock?" "Why do you high-priced executives have to have pensions?"

"Why are there no blacks, no women, on the board?" I tried to answer fairly and with proper appreciation for the stockholder's interest. Sometimes he or she appeared satisfied, sometimes not. But one day came a question which shook me badly. I should have known that sooner or later it would come. This meeting was held in the large auditorium of the Thomas W. Martin High School in Gorgas, Alabama. "Mr. Crist, what is electricity?" I was stunned. I had been in the business for thirty-five years. I had two degrees in electrical engineering. I could not and still cannot describe electricity. I resorted to evasion. I told of a legendary student at the school who came to class one day very late and out of breath. At once the professor called on him, "Robert, what is electricity?" Robert, a quicker thinker than I, said, "Professor, I was hurrying to class. I had it on the tip of my tongue, but in my haste it left me completely." The professor sorrowfully shook his head. "Students," he said, "you have witnessed a tragedy. For years scientists have been trying to find out what electricity is. Robert had it, and now he has lost it." Whether my questioner was satisfied or disgusted, he sat down.

When I got home from the meeting, I hastened to my Random House Dictionary and found its definition of electricity: "A fundamental physical agency formerly thought to be caused by a kind of fluid but now understood to be caused by the presence and motions of electrons, protons, and other charged particles, manifesting itself as attraction, repulsion, luminous and heating effects, and the like." I was glad that I hadn't looked in the dictionary before the meeting.

Norman Vincent Peale may throw some light on the question in his story of the schoolboy who was asked to write an essay on the life of Benjamin Franklin. The lad produced this masterpiece: "Benjamin Franklin was born in Boston, but he got tired of that and moved to Philadelphia. When he got there, he was hungry so he bought a loaf

of bread. He put the bread under his arm. He walked up the street. He passed a woman. The woman smiled at him. He married the woman and discovered electricity."

One of my duties with Southern was to review the operating companies' budgets—both construction and operating—and their three-year forecasts, including financing programs. Sometimes I would ask that certain projected capital additions be eliminated or deferred so as to conserve cash and improve earnings prospects, and sometimes this would bring about anguished cries of protest from the operating company head. But these differences were generally resolved amicably with no lasting damage to our relationships.

SYSTEM LEADERS

EUGENE A. YATES

"He was a man, take him for all in all, I shall not look upon his like again."

—William Shakespeare

first met Mr. Yates on a Louisville & Nashville train in the summer of 1923, on the way from Montgomery to Calera, Alabama. I was on the way to work with a right-of-way clearing crew near Columbiana. Yates and F. C. Weiss, then in charge of Alabama Power's construction work, were on their way to Birmingham. Neither known for garrulity, their only observation on learning of my destination was to the effect that I would soon have a fine crop of blisters. Good prediction.

As noted earlier, Yates was the architect of the interconnection and integration of the utilities which came together under Southeastern Power & Light. He was born in Elizabeth, New Jersey, in 1880. After graduating from Rutgers University, he engaged in engineering and construction work in New York. One of his major jobs was the design and building of railroad tunnels under the East River and Manhattan Island. He came to Alabama in 1912 and joined Alabama Power as chief engineer, later becoming vice president and general manager. When Southeastern was formed, he was named its vice president and general manager. Later, as vice president of Commonwealth & Southern, he was responsible for the operation of its six southern subsidiaries. In 1947, he became the first president of The Southern Company. There were other able candidates for the job, but Tom Martin insisted on Yates—and won.

To me, Yates had an uncanny ability to keep up with

and guide the many-faceted operations of the companies under his control. He developed a thick "black book" in which his secretary recorded each month a thousand and one details of each company's operations. He watched them like an osprey. A deviation from expected performance standards brought a worried inquiry, often a rebuke. I remember receiving a telephone message from him while I was president of Gulf Power. Our earnings had slumped rather badly. The implication in his long-distance call was very clear: better earnings or else.

Once Yates, Jim Barry, Harllee Branch, and I had boarded a coach at the Washington airport for our hotel. In those days, if the coach were heavily loaded, the excess luggage was strapped on top. As the coach made a turn, one of the bags fell off and was promptly run over by an automobile. Yates was convulsed with laughter. "Jim," he exclaimed to Barry, "there went your bag." But their bags were very much alike. When it was retrieved, it was found to bear the initials "EAY." Jim Barry could hardly control himself. Yates said, "Jim, you are acting like an idiot."

Mr. Yates had a "presence," which he summoned when the occasion seemed to warrant. He was over six feet tall, distinguished in countenance, and seldom without a Homburg hat. Hotel clerks, Pullman conductors, and other public servants, including utility executives, quailed at his approach. More than once I have seen him standing at a registration desk, listening to the distraught clerk explain that his reserved room was unavailable because the occupants had not checked out as promised. Explanation finished, Mr. Yates would say quietly, "I know. But I want my room." Oblivious to the waiting line behind him, he would stand there until the frantic clerk assigned him to a room, probably one that some less-determined soul had reserved long ago.

Always mindful of the Great Depression of the thirties

and its devastating effect, Yates was very cautious about undertaking costly new projects. Neither he nor the rest of us foresaw an even more serious situation. It was inflation that would bring hardship to countless Americans, sap the companies' earning power, and raise the cost of money to almost prohibitive levels. Deferment of a project invariably meant higher costs.

In the mid-fifties, a great national controversy surrounded Eugene Yates: the famous "Dixon-Yates" contract. This contract brought to a head the long-simmering conflict between public (government-subsidized) and private (investor-owned) power. It was one of the most bitterly debated political controversies of its time.

Supporters of the Tennessee Valley Authority—notably Senators Estes Kefauver and Albert Gore from Tennessee and Senator Lister Hill and Congressman Bob Jones from Alabama—believed, or professed to believe, that Messrs. Edgar Dixon and Eugene Yates, heads of Middle South Utilities and The Southern Company respectively, were bent on destroying the Authority. Dixon and Yates emphatically denied any such intention, pointing out that they were simply offering to meet President Eisenhower's challenge to private industry to supply power to the Atomic Energy Commission, rather than have it supplied at substantial cost to the taxpayers by the Tennessee Valley Authority. They interpreted the President's request as "put up or shut up." For their pains (some said for their ineptness) they got a canceled contract, castigation by the politicians, and a multi-million-dollar hole in the ground.

It must be admitted that their motives were not entirely altruistic. The TVA, in 1953, was telling Congress that it urgently needed $100 million to build an electric generating plant at Fulton, Tennessee, near Memphis, in order to avoid a serious power shortage in 1957. The proposed Fulton plant was important to its sponsors for three per-

fectly good reasons: it would blaze the trail for a TVA steam plant justified—not for national defense—but for ordinary load growth; the plant would not be located within the Tennessee River Basin at all, but eighty miles west of it; and TVA would finally have a steam power plant on the Mississippi River.

We lobbied vigorously against the appropriation. If, for any reason, the Atomic Energy Commission should no longer require TVA power, there would be a surplus of some 600,000 kilowatts looking for a market. From bitter experience, we knew where that market would be found.

Congress refused TVA's request. It questioned the wisdom of further expansion of the Authority's steam generating capacity, and it was not willing to commit another $100 million to a deficit which was already bringing the government uncomfortably close to its statutory debt limit.

Dixon-Yates offered a solution. It would build a plant which would supply some 600,000 kilowatts of power into the TVA system for AEC's requirements. Dixon-Yates' return on its investment would be only 3-3/4 percent, a return to be made possible by a capital structure of 95 percent debt (3-5/8 percent first mortgage bonds and 3-1/4 percent bank loans) and 5 percent equity. Even this low rate of return would not be guaranteed. If costs exceeded estimates, the return would be lower still. Middle South was to be 79 percent owner of the new facilities, Southern 21 percent.

TVA was charging the Atomic Energy Commission 3.83 mils at Paducah and 3.78 mils at Oak Ridge. Dixon-Yates proposed to charge 3.55 mils.

What alarmed the TVA folks was the prospect of privately produced power flowing into the TVA system. Out came the big guns. They were loud and eloquent. President Truman described the contract as "just a plain giveaway of public money and natural resources." Hill and Kefauver said it was "a calculated plan to wreck the

TVA." They called it "a national scandal," "another Teapot Dome." The chairman of the Democratic Party claimed that Eisenhower wanted the contract made as a favor to his friend and golfing companion (and our fellow board member of The Southern Company), Bob Jones. But the universal respect in which Jones was held caused this particular comment to boomerang.

Those of us who wanted to go all-out in defending the contract were outvoted by those who maintained, not without reason, that the agreement was so fair and equitable that it needed no public defending. The prevailing opinion was that the contract would stand on its own merit. A sad miscalculation of the effectiveness of political oratory!

But far more mischievous was our naivete in permitting an officer of the First Boston Corporation, on loan to the Bureau of the Budget, to sit in on contract discussions. For the Dixon-Yates project to be successful, it was essential that the cost of money must be held to a minimum. Adolphe Wenzell was a vice president of First Boston, on temporary leave to the Bureau of the Budget. His only participation in the contract discussions was to offer an opinion as to the salability of the proposed bonds and rate of interest they might carry. But when an inter-office memorandum disclosed that he had been present at one or more of the meetings, the fat was in the fire.

"Conflict of interest" was the cry, and it was the death knell of Dixon-Yates. The Eisenhower administration, seeking a way out, embraced a proposal that Memphis build a power plant of its own, relieving TVA of its obligation to supply Memphis' requirements and freeing that much power for use of the Atomic Energy Commission.

The Dixon-Yates contract was canceled by the government. No reimbursement was made to the utilities for their substantial expenditures on the grounds that the alleged conflict of interest violated and nullified the contract. The

political heat had been just too much for Ike's top assistant, Sherman Adams; and it was at his insistence that the administration canceled the project.

* * * * * *

On the facade of a great power plant in Georgia, there is a bronze plaque which reads:

> In recognition and appreciation of outstanding leadership in the industrial development of the South and meritorious service to the electrical industry while serving as an officer or director of the Georgia Power Company and affiliated utility companies in the states of Alabama, Mississippi, Florida, South Carolina, and Tennessee since 1912, this plant is named in honor of Eugene Adams Yates.

One of the finest tributes I have seen comes from his son, Eugene Yates, Jr., now an executive of Georgia Power:

> My father was the most honest person I have ever known. Although he was not an active church member, he possessed a high sense of moral values and his life pattern strictly followed this honesty in thought and actions. He was a sentimental person with a great love for the people he was associated with, and he was never happier than when traveling through the Southern electric system. To me, he was an astute businessman with a keen sense of understanding and, at the same time, he was always a complete gentleman.

Yates died in October, 1957. To us who followed him, he left a legacy of sound management, efficient operation, and scrupulously honest dealing.

CLIFFORD B. McMANUS

"If a man love the labor of any trade, apart from any question of success or fame, the Gods have called him."

—Robert Louis Stevenson

lifford McManus was born in 1895 at Smithville in Lee County, Georgia, just across the line from Sumter County. The last time I had occasion to check the Smithville population, it stood at 676; it may now have passed the 1,000 mark. The Central of Georgia Railroad split Smithville down the middle. Other than that, its principal marks of distinction were the McManus brothers, Clifford and Bill, the one becoming president and, later, chairman of The Southern Company and the other president of Atlanta's King Hardware Company.

Clifford graduated from Auburn (formerly Alabama Polytechnic Institute) in 1916, studied in Westinghouse's engineering course at Pittsburgh, and then joined Alabama Power. Soon thereafter he left to serve in the U.S. Corps of Engineers, then came back to the power company. He must have shown some promise, for he was soon sent to General Electric at Schenectady for further training in problems of power engineering and operation. One day, during a particularly rough Schenectady winter, a group of trainees were talking about postwar plans. A custodian from south Georgia paused in his sweeping. "Mr. Mac," he said, "What do you-all mean by 'postwar planning'?" "That's what they'll be doing here when the war is over," McManus explained. The custodian rolled his eyes and remarked, "You mean people lives up here when they ain't no war?"

Mac came back to Alabama, and the power company

soon sent him up to Muscle Shoals to run the steam plant which it had leased from the U.S. government. It was a cranky, neurotic plant, and his normal working day was sixteen hours. In 1923, he was appointed manager of the company's Western Division in Birmingham. Two years later, he went to Huntsville as manager of the Northern Division.

Meanwhile, William E. Mitchell, younger brother of James, had become vice president and manager of operations of Alabama Power. Martin and Arkwright agreed that Mitchell's talents were needed for consolidating and operating the Georgia properties. In April of 1927, Mitchell was transferred to Georgia Power in Atlanta as its vice president and general manager. He was reluctant to leave Alabama, but he went. He soon called for McManus and Jim Oliver, operating engineer of Alabama Power, to join him.

When W. E. Mitchell was Alabama Power's general manager, he combed the country, looking for a man who could coordinate the engineering and operating functions of his fast-growing organization. It was after careful investigation and recommendations from leading engineers in the West that George Middlemiss was selected. Mid's contributions were many and far-reaching. He conceived the idea of divisional organization as a means of keeping up with the rapidly expanding operations. He was the father of the "Interchange Contract" under which the sister companies of Southeastern (and, later, Southern) bought, sold, and exchanged power with each other. An indication of the fairness of the contract was that our companies selling their excess power felt that they weren't being paid enough for it, while the companies buying this power insisted that they were paying more than they should. The contract has been challenged from time to time by the state public commissions and by the Federal Power Commission. Ably defended by Middlemiss, and, later, by Don

Early, the contract stood and still stands. Once an independent engineering firm made an exhaustive analysis of the agreement. They not only found it equitable, they complimented the technical expertise with which it was put together.

In 1945, Mitchell succeeded Preston Arkwright as president of Georgia Power. He retired two years later and was, in turn, succeeded by Preston Arkwright, Jr. Preston, Jr., was a brilliant and resourceful trial lawyer, member of the Atlanta firm of MacDougald, Troutman and Arkwright, general counsel for the company. His election to the presidency in February, 1947, was a tragic mistake. Severely crippled by arthritis, Preston, Jr., undertook arduous responsibilities and a heavy travel schedule. I have sat next to him at meetings in New York on winter days when his clothing was literally soaked in sweat. He died of pneumonia in November, 1947, only eight months after becoming president. He was succeeded by McManus.

At the same time that McManus became Georgia Power's president, Dan MacDougald was elected its chairman. They made an effective and popular team. Like Preston Arkwright, Dan could work with anyone. Harllee Branch, Jr., MacDougald's long-time law associate, described him as "a brilliant lawyer, a wise counselor, and a congenial and steadfast friend for all who worked for the company." Branch said that MacDougald brought to the organization a wide knowledge of public utility operations, gained as one of the company's general counsels. He had a keen appreciation of human values and a fine sense of personal and business integrity.

The Atlanta Journal called Dan MacDougald "one of Atlanta's leading citizens. His fine legal mind carried him to the top of his profession." I counted him as one of my closest friends.

In his twenty years at Georgia Power, McManus had learned every facet of the company's operations and had

authored many innovations. He was a natural choice for the top job. His performance was such that two years later, Yates tapped him for president of The Southern Company. For a year, he served in both capacities.

Then began a series of events which led him into other fields. During a Business Education Day sponsored by the Atlanta Chamber of Commerce, at Georgia Power's Plant Atkinson, he had made a statement which startled his audience. It was at a time when the utility industry was seriously concerned about the federal government's plans for broad development of the nation's rivers for hydroelectric power and what disposition it might make of the power so produced. (Shades of the Tennessee Valley Authority.) McManus suggested that the utilities cooperate with the government, offering their existing transmission lines for distribution of the power and otherwise aiding in developments which they themselves could not build. He said that The Southern Company group would supply the government's "preference customers" (municipalities and REA cooperatives) at cost, such cost to be just what the companies pay the government, plus a nominal amount for line losses and handling costs.

He went on to say:

> We do not oppose these river developments. We have built many of them ourselves and where we cannot economically justify the building of them ourselves, we will not take a "dog in the manger" attitude. They are an asset to the community and to the state. We have cooperated and we will cooperate with such developments as being in the public interest . . . . Flood control and navigation are legitimate governmental enterprises, and the federal government can charge a part of the cost of hydroelectric developments to such activities. Furthermore, the government enjoys certain advantages in taxes and in cost of money. There are, therefore, hydroelectric developments which the federal government can justify but which we could not economically undertake. . . . The Southern Company's attitude, or philosophy, is that we

should take and pay for the power produced at these reservoir projects in our area—or such part of it as is allocated to this area—and distribute it in such a manner as to encourage the most widespread use at the lowest possible rates to consumers consistent with sound business principles . . . . Such an arrangement would provide twofold benefits to the government and the people of the area. It would increase the feasibility and self-liquidation of reservoir projects now being constructed and to be constructed, and it would assure the carrying out of the intent of Section 5 of the Flood Control Act, with the maximum efficiency and economy and without the unnecessary duplication of transmission facilities at public expense . . . . Only a part of the energy produced by hydroelectric plants is "firm," or available at all times. The remainder is seasonal, varying with stream-flow conditions and available only part of the year . . . . The Southern electric system, on the other hand, represents a well-planned balance between steam and hydro generation. Its operation can be readily adapted so that existing and new steam plants can be operated to "firm up" the government hydroelectric power and, in effect, convert it into power usable at all times.

The reaction was swift. The media hailed the proposal as "statesmanlike" and "revolutionary." It was widely quoted in the press, and *Business Week* ran a feature article, embellished by Mac's picture on the cover.

Not long afterwards, in December, 1950, Interior Secretary Oscar Chapman called McManus to Washington. He wanted Mac to help organize a new federal agency to be called the Defense Electric Power Administration. Its purpose would be to coordinate and expedite available electric power supplies and to allocate electrical materials to investor-owned and government-owned utilities and their suppliers. With considerable misgivings, McManus accepted the post of Administrator of DEPA, but on condition that he would not be asked to serve for more than six months. He resigned the presidency

of Georgia Power, obtained a six-month leave of absence from The Southern Company, and moved to Washington. It was not a happy job. Urgent pleas for critical materials like aluminum, copper, and steel came from all directions, and there just weren't enough to go around. Clyde Ellis, then running the National Rural Electric Cooperative Association, insisted that DEPA assign to him the responsibility for allocating materials to the individual rural cooperatives over the country. Fearing that this would create a destructively competitive situation, McManus refused. Outraged, the cooperatives and their representatives in Congress bombarded Mac and Secretary Chapman with their protests. Finally, Chapman agreed to try their plan.

The next political explosion came over the issue of the location of new aluminum-producing capacity, sorely needed in the manufacture of warplanes. Aluminum production plants are large users of electric power, and the aluminum companies naturally sought to build their new capacity where power was cheapest. This was in the Pacific Northwest area, served by its great hydroelectric developments. However, DEPA's studies indicated that in years of deficient rain or snowfall there would be barely enough available power to serve existing needs and civilian needs. McManus recommended that no additional aluminum capacity be installed in the area until adequate power supplies could be assured. This would require several years. When this recommendation became known, considerable hell broke loose. Senators and congressmen and others from the area besieged the Secretary. A few went directly to the President. The result, a compromise. Some of the new aluminum capacity went to the Pacific Northwest, some to other areas where there was more assurance of dependable power.

When Mac departed Washington in July, 1951, the Secretary presented to him a handsome photograph with

the inscription, "Many thanks for your wonderful help. It has been a pleasure to work with you. From one Southerner to another, Oscar Chapman." It was Aristotle who said, "Consider pleasures as they depart, not as they come."

During McManus' tenure as president of Georgia Power, he had been closely associated with Harllee Branch, Jr., then a member of the firm of MacDougald, Troutman, Sams & Branch, the company's general counsel. McManus persuaded him to join the company as vice president and general manager. This was in July, 1949. When Mac resigned to take the DEPA job, he recommended that Branch be named to succeed him. On January 18, 1951, Harllee Branch was elected president of Georgia Power.

McManus returned from Washington and resumed his duties with Southern in the summer of 1951 and remained as president until January, 1957, when he was elected vice chairman. At that time, Harllee Branch became president of Southern. On the death of Mr. Yates in October, 1957, Mac was elected chairman of the board, an office he held until his retirement in December, 1960.

He told me of an incident which occurred at a company-sponsored function in 1961. He was milling around the group, and several employees came up and introduced themselves. One asked if he had ever worked for the company. Mac told me this story with some puzzlement and perhaps with some sadness. I found it another reason for writing this account.

JAMES M. BARRY

im Barry was, you might say, "a utility man's utility man." He was elected president of Alabama Power in 1949, succeeding Tom Martin when Martin became board chairman. Like McManus, Barry worked at his job when many others were sleeping. I was closely associated with him for nearly ten years when I lived in Birmingham. He was always in the office on Saturday and frequently on Sunday. Sometimes I joined him there.

Jim, a San Francisco native, was an honor graduate in electrical engineering from the University of California. He was busy all his life. Between semesters at the university, he did some amateur boxing. His record was impressive. He fought as "Bo" Barry. He was an accomplished swimmer and diver. Until his older brother, Will, found out about it, he worked for a local carnival, diving from a height of 50 or 60 feet into a tiny basin at $2.50 per dive.

Like most of us, Barry came into the utility field inauspiciously. He started in 1910 as a laborer on the construction of a small hydroelectric plant in the Sierra Nevada Mountains. The next eight years he spent with a number of western utility companies, including Great Western and Pacific Gas & Electric.

In the meantime, in 1917, another alumnus of the University of California, George Middlemiss, had come East as an assistant to F. P. (Pat) Cummings in Alabama Power's operating department. He was enthusiastic about

what he found, and soon he was writing Jim Barry to come and join him. Jim was offered, and he accepted, the job of local manager at Anniston. Alabama Power had just taken over the business of the Anniston Electric and Gas Company which was loaded with trouble by day and by night. Whenever a hard rain would come, the gas plant would get flooded. When it stormed, the one power line went out, and the town went into darkness. But as the company grew, additional lines were brought in. The gas plant was abandoned and written off, as was the street railway, and Jim Barry could sleep in peace at the end of the day. Soon he was named division superintendent and, later, division chief engineer.

In 1923, he went to Montgomery as Southern Division manager. Years later he recalled that the city government seemed singularly uncooperative. Finally, he called on Bill Gunter, the perennial and much-loved mayor. "Why can't we get along?" asked Jim. "Well, you never did come to see me," said the mayor. From then on things went smoothly.

One of Barry's first jobs in Montgomery was to work with Lonnie Sweatt, whom he was succeeding, in modernizing the city's obsolete street lighting system. The project was long and tedious. Finally, when the bright new lights came on, the two happy warriors retired to Lonnie's office to congratulate each other over a bottle of Old Overholt. As the glasses were raised, the door opened and in walked Tom (teetotaller) Martin. Whiskey was not tolerated on company premises; indeed, it was not tolerated, period. Martin looked at the ceiling. "Good job boys," he said and walked out.

In 1927, Barry was elected vice president in charge of operations, and, in 1932, vice president and general manager. He became president of Alabama Power in 1949. Three years later, he was named chairman of the executive committee of The Southern Company.

Barry took an active part in the Dixon-Yates controversy and in negotiations leading toward the acquisition of Birmingham Electric Company and of Georgia Power and Light. These acquisitions were important for solidifying the service territory of the Southern electric system as well as for resolving some problems which extended back to the early days.

Tom Martin had been a great acquirer. Indeed, he had put together Alabama Power through acquisition, over the years, of many isolated electric properties. But one anomaly, and a real one, continued to exist. This was the separate ownership and operation of the Birmingham Electric Company, controlled by the Electric Bond & Share Company of New York. Since 1914, Alabama Power had supplied the electrical requirements of the Birmingham area through BECO and its predecessor, Birmingham Railway, Light and Power. Inevitably, disputes arose as to who should serve whom in the suburban areas. Finally, in 1925, the Alabama Public Service Commission approved an agreement outlining the respective service areas. Birmingham Electric would serve the metropolitan area of Birmingham and the adjacent municipalities and unincorporated communities; Alabama Power would be responsible for the other areas of the county.

This move brought about a somewhat shaky peace, but Tom Martin was still determined to bring Birmingham Electric into the folds of Alabama Power. It was not for sale. It was making money. Its new capital requirements were small, for it was assured of adequate power for its growing needs through its supplier, Alabama Power.

Then appeared on the scene a new actor: the Securities and Exchange Commission. And, just as it had ordered the sale of South Carolina Power, it now told Electric Bond & Share that it must dispose of its principal interest in Birmingham Electric. This was in the summer of 1950. By May of the following year, Electric Bond & Share had

traded its BECO common shares for common stock of Southern. Southern turned the BECO shares over to Alabama Power in exchange for additional shares of the latter. The BECO preferred stockholders were offered direct exchange for shares of Alabama's preferred stock. By May, 1952, 98 percent of the BECO common and 85 percent of its preferred had been acquired by Alabama Power. Martin's cap sported a bright new feather. At that time, he was serving as chairman of the board of Alabama Power, having resigned as president in October, 1949.

The second important acquisition was Georgia Power and Light Company. It was headquartered in Valdosta and served a south Georgia area with a population, in 1956, of some 250,000. In the twenty-county area, the company served 38,000 customers. A logical and economically sound step was its merger into Georgia Power. In 1957, Georgia Power paid $11 million cash, supplied by Southern, to Florida Power Corporation for the properties and assumed the bonded debt of $8 million.

Jim Barry was always mindful of the welfare and safety of his people. One of his general orders that is still remembered read, "There can be no operating condition which justifies our employees taking the slightest chance in performing their work. We want them always to take the safe way, even though our service may suffer thereby, or our costs be increased."

Barry retired in 1958. At that time Mr. Martin said: "We hold James M. Barry in high esteem, not only for his great ability as an executive, but for his great qualities of sincerity and true and lasting friendship." And a later president of Alabama Power, Joe Farley, said of him, "He was among the men who literally built Alabama Power. In doing so, he set examples of personal and professional excellence that won him the respect of all who knew him."

Jim Barry died in January, 1972.

LEWIS M. SMITH

t was in October, 1949, at a meeting of Alabama Power directors, that Tom Martin resigned as president. He was elected chairman of the board, and Barry was elected president. Lewis Smith was named general manager.

Smith was born in Warrior, Alabama, in 1894. At the University of Alabama, his record was distinguished, both in studies and in athletics. He had a fast ball and a knuckler that were the despair of opposing batters. He came to the power company in 1923 as a draftsman. It was a long, hard climb to chief electrical engineer which he made sixteen years later. When Jim Barry left Alabama Power to become chairman of The Southern Company's executive committee, he was succeeded as president by Lewis Smith.

Smith was a quiet, modest man. He seemed to me, in every sense, a true Christian. In a talk to a local high school graduating class he once said, "For right leadership in this challenging world, we must be terribly sincere. Somehow, we must learn to live by the Golden Rule and the Sermon on the Mount."

On the Lewis M. Smith Dam on the Warrior River there is an inscription which reads, in part: "Ability, imagination and determination guided him along the path from young draftsman to president. . . . A deep faith in God, love of people, and a lofty standard of moral excellence were outstanding characteristics that made his life

a great contribution to the welfare of his fellow citizens." He became vice chairman of the board in 1957 and was succeeded as president by Walter Bouldin. Lewis Smith died in March, 1958.

WALTER BOULDIN

"Besides, 'tis known that he could speak Greek as naturally as pigs squeak."

—Samuel Butler

alter Bouldin was one of our most erudite associates. Like Thomas Martin, he was a native of Scottsboro, Alabama. After graduating from the University of Alabama, he studied at Harvard Law School where he received his LL.B. degree in 1928. A Phi Beta Kappa, he was awarded LL.D. degrees by the University of Alabama and Samford University. He could quote liberally from the classics, as often as not in Greek or Latin. Sometimes, having missed a putt, he would resort to choice quotes from Dante's *Inferno.*

Walter joined the law firm of Martin, Turner and Blakey soon after his admission to the Alabama State Bar in 1928. It was 24 years later that Martin tapped him for financial vice president of Alabama Power. He became executive vice president in 1955 and president in 1957.

While in the latter capacity, he was elected president of the Edison Electric Institute. As such, he was an effective spokesman for the electric industry. Tall and distinguished looking, with a shock of white hair and a flair for compelling rhetoric, he traveled the country over with his advocacy of the free enterprise system and the investor-owned electric industry. Speaking in Chicago in September, 1963, he said:

> If you will go to the office of the secretary of the company you work for and ask to look at the document that is its basic charter, you will undoubtedly find in that charter a section which reads something like this: "The existence

of the corporation shall be perpetual." But no matter how good the lawyer was who wrote the words in that charter, his words won't make it so. I sometimes wonder how many corporate ghosts there are flitting around this world without employees, without finances, without business, with the words still in their charter, "the duration of the corporation shall be perpetual."

Perpetuity is much too long a span for us to be overly concerned about. We simply don't have the time for it. Fortunately, our responsibility is for a very small space of time. But if we believe that the men and women we work with and their aspirations are important, we do owe a responsibility for leaving our companies better than we found them. If the men and women who follow us will also leave the companies better than they found them, perpetuity will look after itself. The only way I know to leave our organizations better is to leave them with abler men and women, better trained and better equipped than we were, and to leave those men and women with at least as good an opportunity as we have had.

Walter retired as president and chairman of the board of Alabama Power in July, 1970. He died on August 15, 1974, at his home in Irvington, New York.

HARLLEE BRANCH, JR.

Harllee Branch has been described by many as "a master of the spoken and written word." In our long association, I have never known him to be at a loss for a word. In modest deprecation, he avers, "Never has a Branch used one word when two will do." But that is oversimplification. His words are always well-chosen, highly descriptive, and delivered with a style that would turn a veteran thespian green with envy.

There is no more effective spokesman for free enterprise, for equal educational opportunity, for keeping the American faith and sense of direction. He started early. At Boys High School in Atlanta, he was class orator of the senior class; there he won a scholarship to Davidson College. Graduating in 1927, he went on to Emory University Law School where he was editor of the *Law Review* and first-honor graduate. His widely traveled debating team made shambles of opponents wherever they went. He sent newspaper clippings of these victories to one of Atlanta's largest and most prestigious law firms which he aspired to join, Colquitt, Parker, Troutman & Arkwright. He tells that one day Bob Troutman said to him, "Harllee, we're going to take you, but please don't send us any more of those damn clippings."

Harllee joined the firm in 1931, remaining there for eighteen years, except for two as an officer in the U.S. Navy. In 1949, he came over to Georgia Power as vice president and general manager. Two years later, he was elected president of that company.

In 1955 and 1956, he served as president of the Edison Electric Institute. In that office he traveled widely, speaking at colleges, to civic organizations, chambers of commerce, utility groups, and others. These addresses gave the public a far better understanding and appraisal of the utility industry, but they also bespoke a crying need for better education, for higher moral values, and for self-determination without the withering hand of government subsidy.

American industry sought him out. He served on the boards of directors of some of the nation's largest corporations, including General Motors, United States Steel, Southern Railway, and General Reinsurance Corporation. His interest in, and contribution to, education is attested by his serving on the boards of trustees of Emory University, Davidson College, Columbia Theological Seminary, and Georgia College at Milledgeville. He has been awarded numerous honorary degrees.

On November 16, 1956, Branch was elected president of The Southern Company and McManus became vice chairman. As president, and later chairman, of the company, Harllee Branch greatly enhanced the public image of the company and the industry. He retired in June, 1971, having reached the mandatory retirement age of 65. He was succeeded by Alvin W. Vogtle, Jr.

JOHN J. McDONOUGH

ack McDonough was one of our more colorful people. He quarterbacked an excellent Georgia Tech team in 1922 and '23, and thirty-four years later found him calling signals for Georgia Power. Like his former colleague, Charles Collier, Jack had a rapport with electric cooperative associations and municipal authorities which not only averted bloodshed but made for almost friendly relations with these traditional foes.

Jack was born in Savannah in 1901. He came to Tech in 1920 and came out three years later with his degree in mechanical engineering. There are few areas of the state in which he has not represented Georgia Power. He started with a predecessor company, Georgia Southern Power Company in Dublin, then went on to Athens, then to Brunswick and Douglas, to Augusta and Rome, and finally, to Atlanta as executive vice president. This was in 1951. Six years later he became president and, in 1963, chairman. Along the way, he picked up many honors. Rome voted him its most valued citizen. He holds the Distinguished Service Award of the Georgia Tech Alumni Association and, in 1966, was awarded the Georgia Medal for Distinguished Service. He was a trustee of the Georgia Tech Foundation and of the State of Georgia's Athletic Hall of Fame.

Jack served as a member of the Board of Regents of the University System of Georgia, as president of the Georgia State Chamber of Commerce, and as president

of the Atlanta Chamber of Commerce. He was a fine example of the Georgia Power slogan, "A Citizen Wherever We Serve."

When he became chairman of Georgia Power in 1963, he was succeeded as president by Edwin I. Hatch, who had been executive vice president of Alabama Power.

Jack retired in February, 1966.

EDWIN I. HATCH

ome years ago, a questionnaire was circulated among the chief executives of the major investor-owned electric utilities of the nation. Among the questions was this: "In looking over your field of promising junior executives, is there one quality or characteristic which you consider of prime importance in rating them for further promotions?" Surprisingly, the overwhelming quality was not technical expertise, not devotion to the enterprise, not willingness to work hard and long, but the ability to get along with people. Ed Hatch demonstrated this quality to a remarkable degree during his years with the Southern electric system.

Hatch was born in Uniontown, Alabama. He graduated in 1933 from the University of the South in Sewanee, Tennessee, and, three years later, received his law degree from the University of Alabama. In that year he joined the law firm of Martin, Turner and McWhorter, counsel for Alabama Power. He joined the latter company in 1955 and was elected executive vice president in 1958. Four years later he joined Georgia Power as a senior vice president, becoming president in 1963 and chairman in 1975.

During Hatch's tenure, Georgia Power's utility plant quadrupled. Unhappily, the ravages of inflation and the lack of timely rate relief resulted in a totally inadequate return on the company's capital investment. Bond ratings suffered, and the company's short-term lenders became restless. In these trying times, Ed never lost his poise nor

his sense of humor. He told me of attending a class reunion at Uniontown High School where he was the principal speaker. I asked him how the speech went. "I think it was well received," he said. "They gave me a standing ovation. All seven of them."

Ed Hatch retired from Georgia Power in March, 1978. He was succeeded by Robert W. Scherer.

GULF POWER COMPANY

GULF POWER COMPANY

Gulf Power Company was born of a merger, in May, 1926, of Pensacola Electric Company and Chipley Light and Power Company in May, 1926. It was acquired soon afterward by Southeastern Power and Light and then began to extend its service area through northwest Florida eastward to the Florida-Georgia state line. Its first general manager was Wells M. Stanley who came from Alabama Power to direct the acquisition and interconnection of a score of isolated electric properties in the Panhandle. Stanley did this well, but in his enthusiasm he painted a picture of future benefits to the acquirees which some of us who followed found it hard to deliver.

The economy of northwest Florida at that time was based primarily upon the pine tree. At the early part of the century, virgin forests of pine covered virtually the entire region. Until the middle twenties, it enjoyed remarkable prosperity based on timber and naval stores. Turpentining was an important operation, done by chipping off a strip of bark and attaching to the tree a cup into which the sap flowed slowly. The crude gum was distilled and the vapor condensed, forming turpentine and leaving a residue of resin. These products were known as naval stores. This operation, however, was slow and the majority of landowners preferred the quicker and greater income which could be obtained from the timber itself. The ports of Pensacola and Panama City served ships from all over the world seeking cargoes of lumber. They came in with-

out cargo, carrying large stones in ballast to steady them. The waterfront blocks of Pensacola and Panama City were built of ballast stones. Unfortunately, in these extensive timber operations, no thought was given to selective cutting, reforestation, or fire control. As the great forests were depleted, this phase of the economy gradually disappeared. Military bases became and are still a major factor in the economic life of northwest Florida. There are many large army and navy training stations, including the Naval Air Station at Pensacola (known as the Annapolis of the Air), Eglin Field at Fort Walton, and Tyndall Field at Panama City. The Pensacola site was selected at the beginning of naval air training, back in 1914, because this area has a very high percentage of good flying days per year and because here the operation of land and sea planes can be carried on simultaneously.

The coastal area served by Gulf Power includes more than a hundred miles of white sand beaches on clear blue water. They are about 300 miles nearer to the national center of population than other Florida beaches and are within a day's drive for 25 million people. Recreation and resort business has grown steadily.

The company's beginnings were far from auspicious. Hardly had the new company appeared on the scene when one of the most violent hurricanes ever to hit Florida roared through Pensacola. This was on September 6, 1926. (I was living in Sarasota then. There, also, destruction was everywhere. The roof of our house was blown off, and the water was a foot deep on the floor.) Pensacola suffered incredibly high tides and 120-mile-an-hour winds. At the old steam plant, the water rose ten feet above normal, putting out the fires in the boilers. The crew escaped through windows in time to see their automobiles disappear beneath the swirling bay waters and to watch the tall stacks give way. The Alabama, Georgia, and Mississippi power companies sent 600 of their men to help with

the mammoth job of rebuilding, but it took more than two months to restore service fully.

The end of 1926 saw a brighter picture. Gulf Power, then a part of Southeastern, could look to its sister companies for adequate, dependable power until it could build its own capacity. It began to extend transmission and distribution lines throughout the Panhandle area.

The great break for northwest Florida came with Herty's development of the process for making paper from slash pine and the subsequent movement of the paper-making industry southward. The heavy demands of this industry have made the growth of slash pine trees a basic and lucrative agricultural pursuit. Northwest Florida's soil and climate produce extremely favorable growing conditions for slash pine. Selective cutting methods, reforestation, and fire control, now in common use, make the return on timber acreage attractive. Large paper mills at Pensacola and Panama City are assured of their raw materials for the future, and they provide a valuable and profitable market for slash pine.

Other industries have come into the area, attracted by the mild climate, abundant fresh water, and a reservoir of skilled and unskilled workers, plus the deep water ports of Pensacola and Panama City.

During the early thirties, when Yates was in charge of the southern companies of the Commonwealth & Southern system, he sent Bob Williamson to Pensacola as Gulf's vice president and general manager. Bob had done a very creditable job as an Alabama Power division manager. He undertook his new responsibilities with enthusiasm. Yates and Williamson had been good friends for years. Pensacola people liked the new manager, and he liked them. For several years he did a good job on operations. But Bob was a warm, convivial fellow, and the scores of Florida friends who flocked around him proved a distraction, at least in Yates' view. One night, on one of his regu-

lar visits to Pensacola, Yates was supposed to take the 8 o'clock train back to Birmingham, but it was two hours late so he walked back to the San Carlos Hotel. A parade was coming up Palafox Street. Leading the band, with pool cue for baton, was our friend. Exit Williamson.

He was succeeded by L. C. Parks, former Tennessee Electric Power division manager. Meantime, Southeastern had been acquired by Commonwealth & Southern, and the Tennessee company had been acquired by TVA. Willkie had promised Jo Guild, Tennessee president, that he could name one of his displaced men for the next good opening on the system. Guild named Parks, who became Gulf's vice president and general manager.

I was elected president of Gulf Power in January, 1948, continuing as the vice president of Southern. I commuted regularly between Atlanta and Birmingham and Pensacola. Parks had many skills, but his relationships with some of Gulf's employees and their union leaders were somewhat strained. Also, he had not endeared himself to the council members of some of the towns served, an unfortunate situation in view of the fact that many of our 30-year franchises were about to expire. A Montgomery investment banking firm had learned of our vulnerability, and they set out to move in. They sought contractual appointments as the towns' fiscal agents to buy Gulf's distribution systems, pointing out that their operation would be tax-free and that the profits could be used to pave streets and install sewage treatment plants. They assured the towns that Gulf Power could hardly refuse to provide them with wholesale electric service. The prospect was too attractive to resist. About a dozen cities, including Panama City, signed up. In some of the towns, popular referenda were required for franchise renewal. Our officers, local managers, home economists, meter readers, and other employees went all out. Finally, we won the elections and had the fiscal agent contracts canceled. But it was a

bad time. For a while it looked as if we could lose most of our retail business.

Lansing Smith, an Auburn graduate, was serving as superintendent of Alabama Power's Northern Division when Wells Stanley brought him to Pensacola to help in acquiring various municipally and privately owned electric properties. After Stanley returned to Alabama, Smith became assistant general manager under Bob Williamson. Nineteen hundred and thirty-three was not a good year for the new assistant general manager. He was fired. It came about this way: the "wrecking crew" of Commonwealth & Southern eliminated jobs and reduced wages in each of the system companies. When they came to question Smith, it was found that the duties which he ascribed to himself had already been claimed by his boss, so Smith was dismissed. Some time later, a position of new business manager was created, and he got the job. Over the years he became sales promotion manager, assistant to the general manager, vice president and general manager, and, in 1955, he succeeded me as president. I don't believe I ever knew of anyone else who got fired by a company, later to become its president.

When Lansing Smith and I were with Alabama Power, there was a distribution engineer named R. A. Foote. He would look over proposed line extensions and estimate costs versus revenues. He was a good distribution man, six feet tall with black, curly hair and exceedingly vain. When we would stop at the local drugstore for a Coca-Cola, he would gaze at himself from various angles in the big mirror behind the fountain and comb his hair. One day he and Smitty were driving along a dirt road in a company "Model T" when they caught up with a farm wagon. Foote blew his Klaxon horn, but the wagon did not yield and he blew again. This went on for some time. Finally they managed to draw up alongside. Foote yelled, "Didn't you hear me blow my horn?" Down from the

wagon came a rustic figure, about 300 pounds of him. "No," he said, "I didn't hear you blow your horn. What are you going to do about it?" Foote considered the situation. Finally he said, "I guess I'd better get another horn."

Smith retired in 1961. An electric generating plant at Panama City is named in his honor. He was succeeded by R. L. (Bob) Pulley. Like Smitty, Bob came from north Alabama and graduated in electrical engineering from Auburn. He went to work for Alabama Power as apprentice engineer on graduation in 1922. After three years in various positions, he came to Pensacola as an office engineer for Gulf. Ten years later, in 1935, he was named chief engineer. He then served progressively as operating manager, vice president and general manager, and, in 1961, became president.

Pulley was responsible for many innovations in his forty-year career at Gulf Power. Three steam power plants, major substations, and transmission lines bear evidence of his engineering skills. He was elected board chairman in 1965 and retired the following year. He was succeeded as president by Clyde Lilly. When Lilly went to the service company in 1969, Robert F. Ellis became president. When Ellis was elected senior vice president of the service company in 1978, he was succeeded as president of Gulf Power by Ed Addison.

MISSISSIPPI POWER COMPANY

MISSISSIPPI POWER COMPANY

It was in the mid-twenties that the newly assembled components of Southeastern Power & Light began acquiring and interconnecting isolated municipally and privately owned electric properties. Often, with these properties came gas, transportation, and ice manufacturing facilities which later had to be sold.

A country lawyer from Taylorsville, Barney E. Eaton, became president of the newly formed Mississippi Power Company in 1925, and he directed the acquisitions in Mississippi. Barney Eaton was a graduate of Millsaps College in Jackson. Armed with B.A. and LL.B. degrees, he began practicing law in Hattiesburg, later moving to Laurel. There he was elected district attorney. In 1909, he came to Gulfport, and soon he became general counsel for the Gulf and Ship Island Railroad.

As president of Mississippi Power, Eaton, a dynamic speaker, directed his energies into attracting new industries and investors into the company's service area. He created a rural electrification department and extended service to outlying farms long before the advent of the Rural Electrification Administration. As a result of his efforts, the concept of "balancing agriculture with industry" was originated in the state.

Since Mississippi Power had virtually no generating capacity of its own (at Meridian there was a 1,500-kilowatt turbo-generator and a 600-kilowatt generator driven by a Corliss reciprocating engine), the first order of busi-

ness was to build a 115-kilovolt transmission line to connect with Alabama Power, then almost entirely hydroelectric. The first power began to flow into Mississippi in August, 1925. Several thousand people gathered at the interconnection point at Iuka to celebrate the event. Soon the company was serving most of eastern Mississippi. But came 1934 — and trouble. Under threat of duplication of its facilities, Mississippi was forced to sell its properties in the northeast part of the state to municipalities and cooperative associations which would be served by the Tennessee Valley Authority. Barney Eaton wrote in April, 1935, "The company carries on its operations under the threat of governmental competition and that of government-subsidized agencies which have rates that do not reflect all taxes, cost of money, and other expenses that a privately owned utility must pay. This is severely limiting the company's ability to raise new capital." Again, in 1939, Mississippi Power had to make a forced sale of its properties. This reduced its service area to 23 counties in the southeastern part of the state.

Barney Eaton died in July, 1944. In a resolution of tribute to him, the board of directors of Mississippi Power said, "He was a man of high ideals, noble principles and sterling worth. He enjoyed the confidence of all with whom he came in contact and was never known to shirk a duty or betray a trust. He was unfailingly modest, dignified, kind, courteous, just, courageous, and prudent."

Mississippi Power's next president for 14 years, was Leonidas (Lonnie) Polk Sweatt. No wonder few of us ever knew Lonnie's real name, although it was a distinguished one. Leonidas Polk was the first Episcopal Bishop of Louisiana. He was one of the founders of Sewanee University (now the University of the South) and, later, a Confederate general who fought with distinction in some of the major battles of the War Between the States. He was killed near Marietta, Georgia, during the Battle of Atlanta.

Lonnie came from my hometown, Montgomery. He and C. B. McManus were classmates at Auburn. Mac recalls, "Lonnie used to operate the power plant from 5 p.m. to 11 p.m. every night. After his shift, the electricity would be off for the rest of the night." The plant supplied electricity for the college and for the town of Auburn. On graduating in 1915, Lonnie came to Alabama Power. Four years later, he became manager of Alabama Power's Eastern Division, and, still later, of the Southern Division at Montgomery.

When Mississippi Power was organized in 1924, Lonnie came over as its first general manager, under Barney Eaton. He frequently pitched in with line crews on tough jobs. He had learned the ropes as a substation maintenance helper, and, later, foreman. He had built substations and transmission and distribution lines. He could do more with a dollar than any man I ever saw. In later years, Yates would hold him up to the rest of us as a shining example of economical operation. His frugality held him in good stead during the depression years when financing was virtually impossible and "nobody but the TVA had any money."

When Eaton died in 1944, Lonnie was elected president. He, like his predecessor, went all out after new industry, recognizing that this was essential to the progress of a state heavily dependent on farming. He was widely recognized as a leader in Mississippi's business and economic life. A modest and friendly man, Lonnie was held in high esteem not only by his employees and co-workers but by everyone who knew him. He died in January, 1972.

Sweatt was succeeded as president of Mississippi Power by Allan John (Jack) Watson, Jr., in June, 1958. At that time, Lonnie moved to chairman of the board. Jack was born in Biloxi, in August, 1908. His successful career never took him far from home. He studied at Mississippi State University (then Mississippi A. & M. College), receiving

his degree in electrical engineering in 1929. He taught courses in the electrical engineering department until early 1930, when he came to work for the company. Meanwhile he had worked summers as a groundman in line crews, and inside, doing estimating and mapping. He got a wide-ranging education in his first year, operating electric and water systems, ice plants, and cotton gins in towns in the Hattiesburg area. In 1931, he was called to Gulfport as assistant to the superintendent of distribution, and in 1937 he was placed in charge of engineering, construction, and operation of transmission lines and substations. After five years as operating manager, responsible for all company physical property, he was named general manager of Mississippi Power. That was in 1955. The following year, he was elected vice president and general manager, and, in 1958, he became president.

Jack regards Barney Eaton's creation of the company's industrial development department as a major factor in Mississippi's economic progress. Eaton's successors picked it up with enthusiasm. And Mississippi's great sales effort in the residential, commercial, and industrial areas enabled it to weather the onslaught of government power in the thirties and the loss of valuable properties at distress prices.

The price of Lonnie Sweatt's efforts to hold the system together at minimum cost eventually had to be paid. Deferred maintenance and delayed retirement of plant took their toll. Parts of the system had to be strengthened and rebuilt. This happened at a time when the company was periodically reducing its rates. Indeed, it was not until 1970 that Mississippi Power had its first rate increase.

On August 17, 1969, Hurricane Camille began its rampage across coastal areas of Alabama, Louisiana, and Mississippi. After Camille passed, 170 persons were dead and thousands were homeless. Lonnie Sweatt's home in Gulfport vanished completely. Wind velocity was esti-

mated at 200 miles per hour, and tides were 31 feet above normal. Fires raged out of control because fire fighting equipment could not get to them. When it was all over, Robert H. Simpson, chief of the National Hurricane Center, said: "By any yardstick, Hurricane Camille was the greatest storm of any kind that has ever affected this nation."

And, although it cut a swath of devastation from Florida to New Orleans, it was the Mississippi Coast that bore the brunt of the attack. Three large ocean-going ships were plucked from their moorings and dropped on the beach like discarded toys.

It was a monumental task that confronted Jack Watson and his men. Crews and material were dispatched from the affiliated companies and from neighboring utilities. Many organizations rushed in food and medical supplies. For its outstanding work in the restoration of service, Mississippi Power received the Edison Award, given annually by the Edison Electric Institute.

Jack Watson was elected chairman of the board in July, 1972. He was succeeded as president by Victor J. Daniel, Jr. Vic became chairman of the board in June, 1980. He continues in that capacity and as chief executive officer. Succeeding him as president of Mississippi Power was Alan R. Barton. Barton came to Mississippi from Alabama Power where he had started in 1948 as a junior engineer in Mobile and had risen to executive vice president, responsible for power supply, construction, operations services, and fuel.

SOUTHERN COMPANY SERVICES

HERBERT J. SCHOLZ

ub" Scholz was born in Campbell, California, in 1892. After graduating in electrical engineering from Stanford University, he worked for Pacific Gas and Electric and then General Electric. In 1920, he came to Alabama Power. He served in various supervisory engineering positions with Alabama Power and Dixie Construction Company (a subsidiary of Southeastern Power & Light). In 1931, he joined the engineering staff of Commonwealth & Southern of New York, predecessor of Southern Company Services.

Even before the southern group of companies was split off from Commonwealth & Southern, Hub Scholz' remarkable talents were recognized. One day in 1939, after a 10-year period of virtually no new construction, Willkie came to Birmingham to tell Scholz that he would be responsible for the design of all new generating plants for the southern group. Much of the existing generating capacity of the Southern electric system has been designed by Scholz and Ernest Gaston and their group of engineers.

Not long after The Southern Company was organized, we set about forming our own service company. Hub Scholz, Carl James, Bill Ketchum, and I worked in rooms at the Tutwiler Hotel in Birmingham for two weeks structuring the new company, outlining the functions it would perform for the operating companies, designating the responsible individuals, the location if its offices, and so forth. Much of what we did was patterned after the ser-

vice company of Commonwealth & Southern, but we made a number of changes designed to make the new company more responsive to the needs of the operating companies. The company was called Southern Services, later changed to Southern Company Services.

Scholz was the first president. His top men were Ernest Gaston and Bill Ketchum. His staff included some rare engineering talent: Oak Charlton, Don Earlv, Norman Williams, Bill Brownlee, and others. Homer Tickle and Rudolph Freese were the accountants. At first, the company's stock was owned by the four operating companies, each in proportion to its gross revenues. In 1963, it became a directly owned subsidiary of The Southern Company. Among the services provided were power pooling operations, engineering for major projects, system planning, pension and insurance service, system accounting, rates, internal auditing, and many others. Later came data center operations, including systemwide customer billing, and fuel procurement.

When Southern Electric Generating Company was organized in 1956, Scholz became its first president, serving until he retired in the following year. Some years later, he recalled: "The one thing that I tried to do as long as I was with Southern Services was to persuade the operating companies to think more along the same lines. I'm gratified to see the progress that we've made. Today the companies are like one big family."

Hub Scholz was among the first of the nation's utility people to advocate nuclear generation of electricity. In 1954, the Power Reactor Development Company, spearheaded by Walker Cisler's Detroit Edison Company and Dow Chemical Company, was formed to study the feasibility of nuclear power. It was made up of 18 electric operating companies, including Southern's four, and four manufacturing companies. Together, they built the 150,000-kilowatt Enrico Fermi demonstration plant near

Monroe, Michigan, to investigate the concept of the fast breeder reactor, one which produces more nuclear fuel than it consumes. This project proved the feasibility of the breeder concept, although it showed the need for further development before practical application.

Hub retired in 1957. He was succeeded by Ernest C. Gaston.

ERNEST C. GASTON

"He knew what's what, and that's as high as metaphysic wit can fly."
—Samuel Butler

rnie Gaston succeeded Hub Scholz when Hub retired in 1957. He was born in Mobile in 1902. He was an honor graduate in mechanical engineering from the University of Alabama, Class of 1923. He came to work as a draftsman for Dixie Construction Company and later for Commonwealth & Southern's service company. Ernie was a victim of the "wrecking crew" in the early thirties. But he didn't stay at home. Off the payroll, he came to work every morning, explaining to his supervisor that he wanted to be ready when and if construction resumed. His employment record shows no break in service although some of it was "free." When Scholz was given the responsibility for power plant design, Gaston was at his side and rapidly took on more and more of the work. In 1940, Scholz assigned him the job of directing the design department for the southern companies of the Commonwealth & Southern system.

As president of the service company, Ernie was responsible for the design of ten million kilowatts of generating capacity in 70 steam and 22 hydroelectric plants. He was awarded the George Westinghouse Gold Medal of the American Society of Mechanical Engineers for "distinguished achievement and notable contributions to the power field of mechanical engineering." He holds an honorary doctor of science degree from the University of Alabama.

In the more than 30 years that I was associated with

him, I never heard him raise his voice, or display any sign of anger or pettishness, yet he guided hundreds of projects to timely and successful completion. Southern Electric Generating Company's huge steam plant at Wilsonville, Alabama, has been named in his honor. When he retired in 1967, he was succeeded by William R. Brownlee.

WILLIAM R. BROWNLEE

In my time I have worked with a goodly number of electrical engineers. Two stand out in my mind as tops, Bill Brownlee and Don Early. "It's an ill wind that blows nobody good," so go the saying and the song. The wind that blew our Tennessee Electric Power into the Tennessee Valley Authority brought us these two men, both alumni of the Tennessee company.

Brownlee, a native of Cleveland, Tennessee, graduated "with highest distinction" with a degree in electrical engineering from the University of Arizona in 1927. His 41 years with system companies included the Tennessee company, Commonwealth & Southern, Commonwealth Associates, and Southern Company Services. With the latter, he served as chief system studies engineer, system planning engineer, power pool manager, vice president-operating services, executive vice president, president, and chairman of the board. I don't know of anyone in the system who held more jobs and titles. He might have said with the late Hugh Comer, chairman of Avondale Mills, "one more promotion and I'm gone."

The Brownlee titles bring to mind a tale about an elaborate state reception at which one of the foreign honorees wore a shining row of medals stretched all the way across his chest. One of the less inhibited guests asked how he came to have so many decorations. "Well," he replied, pointing to the largest and brightest medal, "the King gave me this one by mistake. I got all the rest of

them on account of it." Bill never got a title or job by mistake; his performance in each was outstanding.

I remember, in 1960, we had a serious failure at the SEGCO plant. It resulted in a bent turbine shaft and a long outage of a 250,000-kilowatt unit, neither of which should have happened. Brownlee was assigned to investigate the cause and to recommend measures which might prevent a recurrence. He let the chips fall, pointing out operating mistakes which compounded the trouble. His recommendations: Operators responsible for major lines and units must know backward and forward the fundamentals of synchronizing and switching; they must never fail to answer the dispatching teletype; in emergency they must seek aid promptly from the system dispatcher. These principles of operations and communications may seem fundamental, yet their omission had resulted in a very critical and costly situation.

The sometimes dire consequences of a breakdown in communication brings to mind the story of an elderly couple rocking on the front porch of their rural home. The wife was hard of hearing. Her husband turned to her and said, "I'm proud of you." "What did you say?" she asked. "I said I'm proud of you." "Well," she replied, "I'm tired of you too."

At the service company, Bill Brownlee worked with many knowledgeable and devoted employees. Don Early, for example, a native of Chattanooga, was educated at the Naval Academy and at Massachusetts Institute of Technology. From the latter he received his bachelor's and master's degrees in electrical engineering. His "Early Bird" was the industry's first incremental cost computer for delivered power. Into it went fuel and transportation costs, transmission line losses, and power plant efficiencies; and out of it came the cheapest source of delivered power.

Don was an engineer with Tennessee Electric Power Company for fourteen years until, in 1939, it was taken

over by the Tennessee Valley Authority. The Early Bird was built by Leeds and Northrup, meticulously following Don's design and under his supervision. Although it was succeeded by the Power Coordination Center, the world's most advanced power control system, it served for eighteen years, not only achieving substantial savings but greatly improving service reliability.

Early was a superb witness before regulatory bodies, testifying both for the service company and the individual operating companies. Grady Smith, vice president of Southern Company Services, and himself a fine engineer, worked closely with him for a dozen years. He said, "To have worked with Don was one of the greatest learning experiences I could have ever gone through." Don Early retired in September, 1964. He died in December of the following year.

Bill Brownlee retired in 1970. Since that time, he has been manager of the Southeastern Electric Reliability Council. The Council provides a ready means for exchanging information and for promoting agreements between adjoining utilities, which tend to ensure that one will not cause a major cascading interruption to its neighbor. He was succeeded as president of the service company by Clyde A. Lilly, Jr.

CLYDE A. LILLY, JR.

"Whom the gods love die young no matter how long they live."
—Elbert Hubbard

lyde Lilly's business career had its turns for better and worse. After five years in the U.S. Army, during which he served through seven campaigns, including North Africa, Sicily, Southern France, and Germany, he joined General Electric. From 1945 to 1962, he was test engineer, turbine specialist, manager of marketing, and, finally, manager of large steam turbine generator engineering. While a turbine specialist based in Birmingham, he came to know many of the people in the Southern electric system, among them Ernie Gaston, who would later play an important part in his career.

It was while Lilly was manager of generator engineering in Schenectady that the "white sale" scandal broke. This involved some suspected, and some clearly proven, price-fixing among manufacturers of heavy-duty equipment. Lilly was disciplined, among others, for his alleged participation in the shenanigans. He felt that he was unfairly treated, and in February, 1968, joined Baldwin-Lima-Hamilton Corporation as marketing manager for their industrial equipment division. This was not a happy association, and he soon left. There followed many months of unemployment, always in the back of his mind the possiblity of some sort of connection with the Southern electric system. Here Ernie Gaston entered the picture. He had high regard for Lilly's abilities, and he set out to find an opening for him. It took a while, but in September, 1964, there appeared an opportunity in the management

group at Gulf Power. Lilly went to Pensacola as executive vice president. The job fitted like a glove. He soon had a fine working relationship at all levels of the organization, as well as good rapport with the Florida Public Service Commission and its staff. A year later, he became president. He served with distinction in the job. Four years later, in 1969, he was called to be president of the service company.

Always intensely interested in nuclear power, he worked tirelessly to obtain decisions from the Nuclear Regulatory Commission on the recycling of plutonium, to reduce the lead time for building nuclear plants, and to advance the program for the liquid metal fast breeder reactor. In 1976, he became chairman of the Atomic Industrial Forum. The Forum is an international organization of utilities, universities, and manufacturers which have a role in the nuclear electric industry. In April, 1977, Clyde was returning from a Forum meeting in Washington, D. C. Shortly after takeoff from Washington National Airport, the plane disappeared from the radar screen and crashed near McLean, Virginia. Clyde Lilly, William Lalor, who was an executive vice president of Southern Company Services, and the two company pilots died in this tragic accident. The loss was felt throughout the Southern electric system and, indeed, throughout the entire industry.

William B. Reed succeeded Clyde Lilly as president of the service company.

SOUTHERN ELECTRIC GENERATING COMPANY

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The first jointly owned power plant on the Southern electric system was a brainchild of Eugene Yates. This was Southern Electric Generating Company, owned equally by the Alabama and Georgia companies. The idea was to have a large generating station, located near low-cost fuel reserves and within easy transmission distance of major load centers in Alabama and Georgia. Initial capacity of the plant would be one million kilowatts, initial cost about $150 million. The diverse characteristics of the two companies' requirements would permit high load-factor operation of the plant, with attendant economies. The great Coosa River would provide ample cooling water, and coal from the vast Alabama reserves would be close by.

All that was needed now was to get the money to build the plant, two coal mines (one in the Warrior field and one in the Cahaba), and transmission lines. The equity portion, about one-third, was no problem. Alabama Power and Georgia Power would buy equal amounts of SEGCO's capital stock with money invested by The Southern Company. But SEGCO, although it would be a member of the Southern family, was a new name, a stranger to the investment fraternity. It had to be introduced and the idea sold before the long-term debt could be marketed. First, we needed a feasibility study and report. This was done by Duff and Phelps of Chicago. We spoke to investment groups at the Chamber of Commerce of New

York, the Union League Club of Chicago, and to many such groups in Alabama and Georgia. The bonds were well received, and the cost to the company averaged about 5-1/4 percent.

Approvals were obtained from both federal and state commissions, and initial operation began in April, 1960. Unit trains, each made up of a hundred 110-ton cars, bring coal to the plant each day. Alabama Power and Georgia Power each buy half of the plant's capacity under 35-year contracts, under which they reimburse all of SEGCO's operating expenses, depreciation and taxes, and, in addition, a six-percent return on the net investment in plant, including coal mines, transmission lines, and working capital.

Tom Martin didn't like SEGCO. He felt that it should be an Alabama Power plant, if built at all. In any event, he much preferred hydro to steam.

He was determined to go ahead with the fulfillment of his dream of completing development of the hydroelectric potential of the Coosa River. Those plans involved the construction of four new dams and powerhouses on the river and increasing the height of an existing dam. With the dams already built, the program would create a continuous series of navigable pools from Rome, Georgia, to Wetumpka, Alabama, a distance of 255 river miles. In this distance the fall of the river is 450 feet; about half of this fall was being utilized by the existing dams. With the new program more than 400,000 kilowatts of capacity would be added, and the development of the river would be complete.

Yates saw the multi-million-dollar project as an invitation to ruin: great dams and powerhouses, massive debt, and few customers. His studies indicated a very dubious economic balance as compared to coal-fired steam plants. Martin, however, prevailed, and the river development proceeded. As it turned out, he had called

the turn correctly. His hydro plants were completed before inflation could double and triple their cost. And then SEGCO was built. So Martin and Yates each got his project, and both projects have proved to be continuing elements of strength in the Southern electric system.

The SEGCO plant is named in honor of Ernest C. Gaston who, with Herbert J. Scholz and F. C. Weiss, contributed largely to its design.

Scholz was SEGCO's first president. When he retired, soon after the company was formed, I succeeded him. I found a real challenge. Financing had to be arranged, a plant site selected, plant designed and built, coal mines developed, mortgage indenture drawn, and power contracts executed. In all of this, I had topflight, specialized help. Not the least of these was Andrew E. (Strut) Burnett. I recruited him from Alabama Power where he had been division engineer, local manager, steam plant superintendent, and manager of employee relations. Meanwhile, on leave of absence, he studied at Massachusetts Institute of Technology where he received a master's degree in engineering administration. He seemed a natural choice for the job of operating manager, and he was.

I served as president of SEGCO for four and a half years until I moved to Atlanta in 1960. Alvin Vogtle succeeded me, then Ernie Gaston, and then, in 1963, Burnett became president. On July 1, 1974, forty-four years from the day he joined Alabama Power, Strut Burnett retired.

CONCLUSION

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Today's successful utility manager has got to be able to perform an intricate balancing act. He must raise vast sums of money and, to do this, must produce earnings sufficient to meet indenture requirements and to persuade Moody's and Standard & Poor's that his bonds deserve to be well rated. He must convince the regulatory commissioners, dependent on public favor for re-election, that unless he is allowed to charge rates commensurate with costs, the public cannot possibly be served. And he must try to show his customers that it is inflation and increased use of electricity — not his rascality, greed, or incompetence— that make their blood pressures rise as they open their monthly bills.

It is a strange business. In the mid-thirties, Wendell Willkie was trying desperately to lift his system out of the depression by selling more electricity. He installed the "objective rate" whereby a customer, whose use in a given month exceeded that of the corresponding month a year earlier, was allowed the excess free. He hired more appliance salesmen when others were laying them off. He often said that the achievement of which he was most proud was in doubling the kilowatthour sales of his system companies over a relatively short period of time.

Recent years have witnessed a complete reversal of such tactics. Instead of promoting the sale of their product, utility companies are imploring the public to use less of it: to insulate their homes, to set their thermostats lower

in winter and higher in summer, and to use their appliances as sparingly as possible. This comes about for several reasons. There is the need to save energy so that we may depend less on foreign oil. Most public service commissions have shown a reluctance to face the fact that electric rates have got to reflect the mounting costs which inflation inflicts on production, transmission, and distribution expenses, and the cost of money. Finally, there is the difficulty of raising money to provide generating capacity to meet the ever-increasing demand for electric power.

The future of this business, like any other, depends upon the imagination, resourcefulness, and experience of those who guide it—and on their ability to communicate to the public the worthiness of the enterprise. To supplement these qualities there must be courage of a high order and a determination to forge ever ahead.

Uniquely exemplifying these latter qualities is Alvin W. Vogtle, Jr., current president of The Southern Company. A fighter pilot in World War II, he was captured by the Germans in Northern Africa in November, 1942. Eight months later, following a laboriously evolved plan, he left the prison camp, covered with ashes, boxes, and cans, in the back of a trash truck. Armed with a homemade compass and a little food, he made his way into Czechoslovakia, walking about 150 miles in ten days. There he was recaptured and placed in solitary confinement for fourten days before being returned to the prison camp. Over the next 32 months, he escaped four times from as many prison camps. He swam icy rivers, slept under snowbanks and haystacks, and was often cold and hungry. An incentive to caution was the news that fifty of eighty-five British prisoners who had escaped from a neighboring camp had been shot by the Gestapo. On the fifth try, he found freedom in Switzerland.

To a man so daring, so resourceful, so tenacious, Southern's problems — no matter how staggering — are not likely ever to appear insurmountable.

A WORD ABOUT THE AUTHOR

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o one knows the history of The Southern Company as well as Jim Crist, and certainly no one could have written its history so engagingly as he has done.

Jim spent most of his life with the company, its predecessors and its subsidiaries. His first employment was as a line-crewman for Alabama Power Company during his summer vacations from college. In later years he served in a variety of important managerial and executive positions with the parent company and its subsidiaries. He played a major role in system planning, financing, marketing, policy-making, and in day-to-day management and administration. He was a vigorous and persuasive spokesman for the system companies before legislative committees, regulatory agencies, and investment groups.

In this history, he has written generously of the people he worked with over the years. In my view, none worked harder, or more skillfully, or more effectively than Jim himself. None left a more lasting imprint on the system companies.

It was my privilege to work closely with him for more than three decades. From 1957 until his retirement in 1966, Jim and I had adjoining offices in Atlanta. He was my constant, most dependable, most creative advisor and colleague. No important decision was made during those years without his counsel, and many of the decisions were the outgrowth of ideas which he originated.

Jim has a way with words just as he had a way with

power systems—and in this volume he has written, with sprightliness and comprehension, the record of an enterprise of which many of us are very proud.

Harllee Branch, Jr.

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